

CITY OF HOPEWELL, VIRGINIA



**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2005**

INTRODUCTORY SECTION

CITY OF HOPEWELL, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2005

PREPARED BY:

Department of Finance

Elesteen Hager, Director

CITY OF HOPEWELL, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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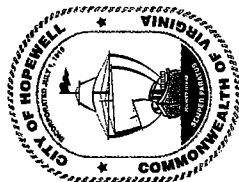
CITY OF HOPEWELL, VIRGINIA

Members of the City Council

	Vanessa C. Justice, Mayor	
	Steven R. Taylor, Vice-Mayor	
Curtis W. Harris		E. Randy Sealy
Brenda S. Pelham		Robert C. Smith
	Milton C. Martin, Jr.	

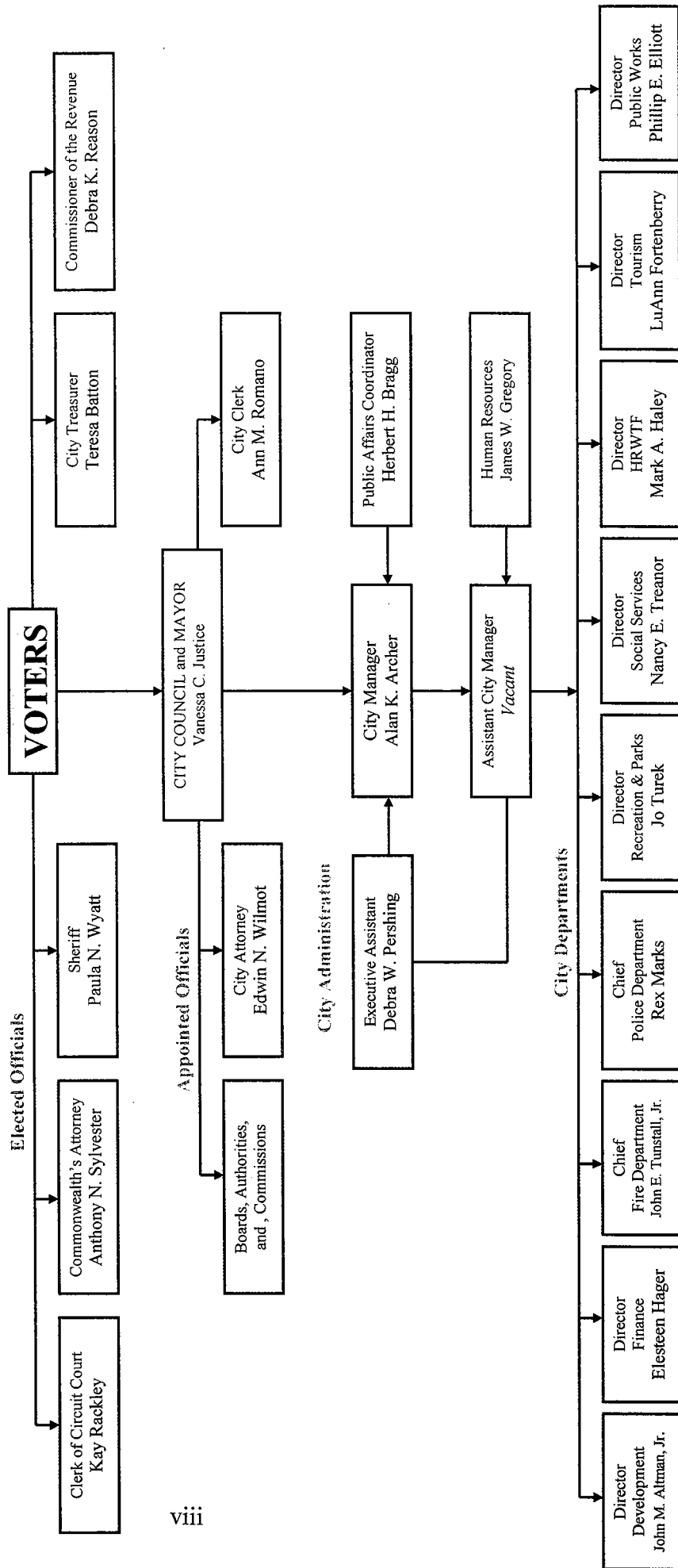
City Officials

City Manager	Alan K. Archer
City Attorney	Edwin N. Wilmot
City Clerk	Ann Romano
City Treasurer	Teresa L. Batton
Commissioner of Revenue	Debra A. Reason
Commonwealth's Attorney	Anthony N. Sylvester
Clerk of Circuit Court	Kay H. Rackley
Sheriff	Paula N. Wyatt
Superintendent of Schools	Dr. Winston Odom
Director of Development	John M. Altman, Jr.
Director of Social Services	Nancy Treanor
Director of Public Works	Phillip Elliot
Director of Regional Wastewater Treatment Facility	Mark A. Haley
Director Recreation	Mary Jo Turek
Chief, Fire Department	John E. Tunstall, Jr.
Chief, Police Department	Rex H. Marks
Director of Finance	Elesteen Hager



Organizational Chart

2005



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hopewell,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



October 05, 2005

The Honorable Members of City Council
City of Hopewell, Virginia:

TO THE HONORABLE MEMBERS OF CITY COUNCIL:

The Comprehensive Annual Financial Report of the City of Hopewell, Virginia (the City) for the year ended June 30, 2005 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management of the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, Certificate of Achievement for Excellence in Financial Reporting, and the City's organizational chart. The financial section includes the City's basic financial statements, required supplementary information, and other supplementary information, as well as the independent auditors' report on the basic statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Information related to this single audit, including the schedule of federal financial assistance, findings and questioned costs, and independent auditors' reports on the internal control structure and compliance with applicable laws and regulations are included in a separate report.

The financial reporting entity includes all funds of the primary government (i.e., the City), as well as the component units for which the City is financially accountable. Effective June 30, 2003, the City implemented GASB Statement No. 34 of the Government Accounting Standards Board titled *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments Financial Reporting Entity*. Statement No. 34 established new standards for defining and reporting on the financial reporting entity. The most significant changes resulting from the application of this statement was to include two new financial statements: Statement of Net Assets and Statement of Activities along with management's discussion and analysis.

The City of Hopewell is governed by the city manager-city council form of government, whereby the city manager is responsible for carrying out the policy decisions of city council. City department directors manage individual departments and report the city manager. Hopewell has two separate component units-Hopewell Schools and Community Policy and Management Team (CPMT).

The City provides a full range of services. These services include police and fire protection; sanitation services; health and social services; the construction and maintenance of roads, streets, and infrastructure; recreational activities and cultural events. In addition to general government activities, the operations of the Hopewell Regional Wastewater Treatment Facility are also part of the primary government and included in the reporting entity.

Alan K. Archer
City Manager

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300 North Main Street
Hopewell, VA 23860

ECONOMIC CONDITION AND OUTLOOK

Hopewell is located approximately 25 miles southeast of Richmond, Virginia, the state capital. The City is considered developed out with respect to land use, except for several industrial zoned sites. Almost all new residential development is fill-in because the City has no large undeveloped land parcels. Until such time that the state General Assembly grants additional taxing authority, removes the annexation moratorium, assumes funding responsibility for state mandated services or some combination thereof, the city's revenue potential will remain limited. Hopewell is reported as one of the top fiscally stressed cities within the Commonwealth of Virginia.

The City has joined thirteen other Virginia cities to form the Virginia First Cities Coalition. This group is gathering and providing data to the General Assembly on the needs and issues facing Virginia's older inner cities. The issues facing this group are unique to older inner cities and not counties in Virginia and the General Assembly must address these problems.

The Development Department coordinated and assisted in moving ahead with the city's Downtown Revitalization Plan by awarding the construction contract on the new Appomattox Regional Library Headquarters Building, completing two major studies during the FY 04-05; the Downtown Revitalization Plan and the Housing Revitalization Plan. The city has already sold \$20 million of bonds to move forward with implementing the Downtown Revitalization Plan.

Major new business expansions included: Ruby Tuesday restaurant, Huddle House restaurant, new nursing home, two new subdivisions with 220 lots and opening of the Beacon Theater Phase II.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

The list below highlights some of the City's achievements/events for 2005:

- | | |
|---------------------|---|
| Hopewell Schools- | School division was designated as Virginia's Highly Distinguished Title I School for 2005. Hopewell was the only division in the state of Virginia to receive honor. Schools recognized by Standards and Poor's as an "Outperforming School District". |
| Police Dept.- | Department created the C.A.S.T.(Citizen Action Support Team) program to get citizens involved in community issues and assist police officers in providing police services to the community. The department also resigned its work shifts from a 9 hour day to a 10 hour day. This action is expected to accomplish two objectives: reduce overtime costs and reduce officer work fatigue. |
| Fire Dept.- | Fire Emergency Medical Transport Services completed its first full year of operation and as such generated \$196,206 in revenues. Fire Department purchased a second ambulance as further enhancement of this service. Also, the Fire Department participated in the establishment and training of a regional hazardous material team. |
| Treasurer's Office- | New computer software was installed for tax collections and general ledger interface application. |
| Recreation Dept.- | Recreation Department was honored by Virginia Recreation and Parks Society for best "new" program dealing with the <u>In Honor/Memory of</u> recognition program. Construction for phase II of the Cabin Creek Walking Trail was awarded with a completion date of December, 2005. |

Commissioner of Revenue -	Commissioner's office has completed audit of ABC licenses and business license for proper tax payments.
Social Service Department-	Department received the Va. Dept. of Social Services recognition on 100% food stamp negative action accuracy and 100% payment accuracy rate for federal FY 2003.
Tourism Dept.-	Hopewell Tourism Director received the <i>2004 Charlie Buser Award for Travel Peron of the Year</i> from the Virginia Hospitality & Travel Association.
HRWTF-	Implemented a sophisticated Computerized Maintenance Management System (CMMS).

External partnerships include:

- **Hopewell on-line** – Hopewell is among the Tri-City area governments with local information on the Internet. Like the City's award-winning Automated Citizens Information System, Hopewell's home page is constantly expanding to include not only information about local government, but also links to there agencies, businesses, and organizations in Hopewell. It is a true partnership effort; check it out at <http://www.ci.hopewell.va.us>.

Internal partnerships include:

Vision Committee – This is a standing committee whose primary charge is selecting an “employee of the month”; “the spark plug” which recognizes an individual for his/her contribution, and the “touch of class” which recognizes a group or team for its contribution to a problem solution.

Suggestion/Innovation Award Program – The purpose of this program is to encourage all full and part-time employees to contribute constructive suggestions and innovative solutions which may result in work efficiencies, energy savings, or monitory savings to the City. In addition, it encourages increased effectiveness of service to the public, safer working conditions, and better public relations. The City Manager may award up to \$500 to the individual or individuals that meet the recommended objectives of this program.

FINANCIAL INFORMATION

City Management personnel are responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit

As a recipient of federal and state financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by city management.

As part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2005 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary Controls

The City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the general fund and special revenue funds are included in the annual appropriated budget. Project-length financial plans are adopted for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at function level within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Appropriations, except for encumbrances and project-length capital projects, lapse at year-end.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

General Governmental Functions

Revenues for general governmental functions, which include General, Special Revenue, and Capital Projects and Expendable Trust Funds and School Board and Community Policy and Management Team component units, total \$65,787,250 in 2005. This represents an increase of \$4,270,768 or 6.9% from 2004. General property taxes and intergovernmental revenues accounted for over 85% of revenues in the governmental funds.

Assessed real property valuations of \$926 million represent an increase of \$77 million over the preceding year. This increase in assessed valuation reflects the real property reassessment and new construction. Property tax collections were 74.4% of the tax levy, a decrease of 9.5% from last year. The ratio of total collections (current and delinquent) to the current tax levy was 88.75%, a decrease of 5.24% from last year.

Expenditures for governmental purposes totaled \$67,679,161, an increase of \$3,415,029 or 5.3% over 2004.

Further detailed analysis of revenues and expenditures can be found in the Management Discussion and Analysis section beginning on page 3.

Fund Balances

Fund balances and retained earnings in the major operating funds were maintained at adequate levels. The General Fund balance did see an increase this year. The unreserved undesignated fund balance for the General Fund was \$4,720,729 on June 30, 2005. This represents an increase of \$615,683 or 15.3% from June 30, 2004. Unreserved designated balance included: \$272,997 for fire equipment replacement, \$144,946 for youth detention construction, \$38,547 for tourism, \$44,056 for automatic phone system and \$3,382,826 for the City's self-insurance fund.

Major Fund and Other Governmental Funds unreserved undesignated fund balance was \$625,734, a decrease of \$464,395 over last year.

Capital Projects Fund expenditures amounted to \$5,254,802 of which \$1,511,459 was spent on community development and infrastructure improvements and \$3,743,343 was for long-term debt service.

The Capital Projects Fund combined undesignated fund balance at June 30, 2005 was \$13,750,454.

Proprietary Funds

The City's enterprise operations are comprised of three separate and distinct funds: the Regional Wastewater Treatment Facility Fund, the Sewer Service Fund and the Solid Waste Fund. Each activity is operated without any interfund transfers from the General Fund.

The Hopewell Regional Wastewater Treatment Facility Fund had net income of \$784,802 for the year ended June 30, 2005, after the depreciation expense transfer of \$2,857,465 to contributed capital. The Sewer Service Fund had net income of \$1,111,670, with an unrestricted balance of \$11,689,630 as of June 30, 2005. The Solid Waste Fund had net income of \$208,983, increasing unrestricted balance to \$2,028,847.

Pension Trust Fund Operations

The City participates in the Virginia Retirement System (VRS) for its employees. All full-time employees accrue retirement benefits with the City paying both employer and employee required contributions. In addition, to VRS, the City offers employees the opportunity to participate in a Deferred Compensation Plan under Internal Revenue Code Section 457.

Debt Administration

The ratio of bonded debt to assessed valuation of taxable real property and the amount of bonded debt per capita are useful indicators of the City's debt position to the City management, citizens, and investors. This data for the City at the end of the 2005 fiscal year were as follows:

	<u>Amount</u>	<u>Ratio of debt to assessed value</u>	<u>Debt per capita</u>
Bonded Debt	\$ 47,152,511	0.0509%	\$ 2,109

Of the bonded debt outstanding at June 30, 2005, \$6,528,511 was School Board bonds, \$9,052,000 were School Board literary loans, \$1,100,000 were notes payable, and \$30,472,000 represented City public improvement bonds. In addition to the bonded debt, general long-term obligations of the City at June 30, 2005 include \$896,421 of non-current accrued sick, paid-time off, and compensatory leave and \$1,643,536 for landfill closure maintenance costs.

Cash Management

Cash temporarily idle during the year was invested in repurchase agreements and certificates of deposit. Interest income for the fiscal year 2005 was \$753,404.

General Fixed Assets

The governmental funds capital assets of the City are those capital assets used in the performance of general governmental functions and exclude the capital assets of the Enterprise Funds and infrastructure. As of June 30, 2005, the governmental funds capital assets amounted to \$23,618,768. This amount represents the original cost of the assets. Depreciation of general fund fixed assets is not recognized in the City's accounting system, but depreciation is calculated and reported under the new GASB 34 statement.

Risk Management

The City joined the Virginia Municipal League Insurance pool for the FY 01-02 to obtain insurance coverage for automobile liability, general liability, law enforcement liability, property and causality coverage, professional liability and excess liability coverage. As of June 30, 2005 the City had General Fund balance reserves of \$3,382,826 set aside for additional liability claims. The City's Risk Manager is continually reviewing and monitoring the insurance industry and the City's exposure to various liability risks.

Prospects for the Future

City Council adopted a budget of \$100,861,600 for its general governmental funds (General Fund, Special Revenue Funds, Component Units, and Capital Projects Funds) for fiscal year 2005/06.

OTHER INFORMATION

Independent Audit

State Statutes require an annual audit by independent certified public accountants. The accounting firm of Robinson, Farmer and Cox Associates was selected by the City's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and related OMB Circular A-133. The independent auditors' report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The independent auditors' reports related specifically to the single audit are included in a separate report.

Certificate of Achievement

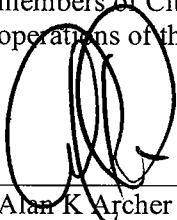
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the nineteenth consecutive year the City received this award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

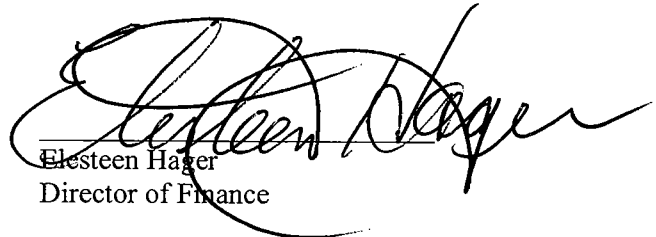
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

This report could not have been prepared in a timely manner without a great deal of cooperation and assistance by the staff in a number of City departments and the Finance Department wishes to thank them. We would like to express our appreciation to the staff members of the Department of Finance who had the primary role in the financial report preparation. We also wish to thank the Commissioner of the Revenue, the City Treasurer, their staffs and members of the Assessor and Department of Development offices who provided invaluable assistance in preparation of the report. Finally, we would like to thank the Mayor and members of City Council for their continued interest and support in planning and conducting the financial operations of the City in a responsible and responsive manner.



Alan K. Archer
City Manager



Elesteén Hager
Director of Finance

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

To The Honorable Members of the City Council
City of Hopewell
Hopewell, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hopewell, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hopewell, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hopewell, Virginia, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2005, on our consideration of the City of Hopewell, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Hopewell, Virginia, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Hopewell, Virginia. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Tammy, COX Associate

Richmond, Virginia
October 5, 2005

October 05, 2005

The Honorable Members of City Council
City of Hopewell, Virginia

TO THE HONORABLE MEMBERS OF CITY COUNCIL:

This section of the City of Hopewell, Virginia annual financial report presents our management discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's primary governmental total net assets for this year were \$23.9 million. Total net assets of our business-type activities were \$24.0 million.
- In the city's business-type activities, operating and non-operating revenues equaled \$15.4 million while expenses were \$16.2 million.
- The total cost of all the City's programs and services was \$97 million.
- During this year, the City's general fund balance increased by \$615,683.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts — management's discussion and analysis this section, the basic financial statements, required supplementary, and an optional section that presents the combining statements for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different view of the City:

- The first two statements are the government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how the general government services like public safety, public works and social services were financed in the short term as well as what remains for future spending.
 - Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the Regional Treatment Plant, Sewer Services, and Solid Waste operations.
 - Fiduciary fund statements provide information about the financial relationships — like the City's Special Welfare Fund — in which the City acts solely as a trustee or agent for the benefit of others, to who the resources in question belong.

The financial statement also includes notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1
Major Features of City of Hopewell Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the city's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses: solid waste, sewer serv.	Instances in which the City is trustee or agent for someone else's resources
Required financial Statements	<ul style="list-style-type: none"> Statement of net assets Statement of activities 	<ul style="list-style-type: none"> Balance Sheet Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> Statement of net assets Statement of revenues, expenses, and changes in net assets Statement of cash flows 	<ul style="list-style-type: none"> Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or sooner thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the city's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they changed. Net assets - the difference between the City's assets and liabilities - is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's streets or roads.

The government-wide financial statements of the City are divided into three categories:

- **Governmental activities-** Most of the City's basic services are included here, such as the police, fire, public works, parks, and social services departments, and general administration. Property taxes and state and federal grants finance the biggest share of these activities.
- **Business-type activities-** The City charges fees to customers to help it cover the costs of certain services it provides. The city's Regional Treatment Plant, Sewer Services, and Solid Waste are included here.
- **Component units-** The City includes two other entities in its report- The Hopewell City School District and the Community Services Act (CSA). Although legally separate, these "component units" are important because the City is financially accountable for them and they are financially dependent on the City.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds- not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and others by legal requirements.
- The City Council may establish other funds to control and manage monies for particular purposes or to show that it is properly using certain taxes or grants.

The City has three kinds of funds:

- **Governmental funds-** Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- **Proprietary funds-** Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both short and long-term financial information. In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- **Fiduciary funds-** The City is the trustee, or fiduciary, for its employees' 457 Deferred Compensation Plan and the Special Welfare Fund. It is responsible for these assets because of a trust arrangement; they can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and statement of changes in fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City reports under Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The city is presenting comparative data for the Management’s Discussion and Analysis (MD&A).

The following table summarizes the City’s Statement of Net Assets:

Table A-1

**City of Hopewell, Virginia
Summary of Net Assets
As of June 30, 2005**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2004	2005	2004	2005	2004	2005	2004-2005
Current and other assets	\$28,872,358	\$49,640,196	\$19,065,810	\$21,826,331	\$47,938,168	\$71,466,527	49.08%
Capital assets	<u>30,445,810</u>	<u>26,637,611</u>	<u>27,338,101</u>	<u>18,885,931</u>	<u>\$57,783,911</u>	<u>\$45,523,542</u>	-21.22%
Total assets	\$59,318,168	\$76,277,807	\$46,403,911	\$40,712,262	\$105,722,079	\$116,990,069	
Other Liabilities	31,889,977	6,244,629	1,686,758	3,684,112	\$33,576,735	\$9,928,741	-70.43%
Long-term debt outstanding	<u>1,654,312</u>	<u>46,171,700</u>	<u>14,003,627</u>	<u>13,050,860</u>	<u>\$15,657,939</u>	<u>\$59,222,560</u>	278.23%
Total Liabilities	\$33,544,289	\$52,416,329	\$15,690,385	\$16,734,972	\$49,234,674	\$69,151,301	
Net assets-							
Invested in capital assets							
Net of related debt	-700,037	-2,904,259	13,673,101	5,580,932	\$12,973,064	\$2,676,673	-79.37%
Restricted	5,586,904	16,720,846	1,167,481	1,167,481	\$6,754,385	\$17,888,327	164.84%
Unrestricted	<u>20,887,012</u>	<u>10,044,891</u>	<u>15,872,944</u>	<u>17,228,877</u>	<u>\$36,759,956</u>	<u>\$27,273,768</u>	-25.81%
Total net assets	\$25,773,879	\$23,861,478	\$30,713,526	\$23,977,290	\$56,487,405	\$47,838,768	

Net assets of the City's governmental activities decreased by \$1.88 million during the current fiscal year. This decrease in government net assets was affected by particular features of the City’s recent financial activity:

- Increased delinquent taxes un-collected
- Write-off of fixed assets less than \$10,000 in value.

Although the net assets of our business-type activities decreased by 28 percent, these resources are not used to make up for any net asset deficit in governmental activities. The City uses these net assets to finance the continuing operations of the solid waste and sewer operations.

Changes in net assets.

Table A-2 and the narrative that follows consider the operations of the governmental and business-type activities separately.

Governmental Activities

See Table A-2 for details.

Business-type Activities

Revenues of the City's business-type activities increased 11 percent, and expenses increased 1 percent. (Refer to Table A-2). Factors contributing to these results include:

- Increased utility costs
- Higher depreciation charge.

Table A-2

City of Hopewell, Virginia Changes in Net Assets As of June 30, 2005

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Percentage Change 2004-2005</u>
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	
Revenues							
Program revenues:							
Charges for services	\$620,967	526,440	\$12,937,022	\$14,195,204	\$13,557,989	\$14,721,644	8.58%
Federal/state grants and entitlements	9,743,438	9,675,502	1,170,323	1,174,420	10,913,761	\$10,849,922	-0.58%
General revenues:							
Property taxes	20,709,810	22,452,725			20,709,810	22,452,725	8.42%
Other taxes	6,778,505	6,932,533			6,778,505	6,932,533	2.27%
Other	<u>2,930,916</u>	<u>2,730,714</u>	<u>101,860</u>	<u>339,166</u>	<u>3,032,776</u>	<u>3,069,880</u>	1.22%
Total revenues	\$40,783,636	\$42,317,914	\$14,209,205	\$15,708,790	\$54,992,841	\$58,026,704	
Expenses							
General government	3,443,925	2,945,790			3,443,925	2,945,790	-14.46%
Judicial	1,495,967	1,574,921			1,495,967	1,574,921	5.28%
Public safety	9,486,916	10,565,072			9,486,916	10,565,072	11.36%
Public works	3,737,248	3,485,748			3,737,248	3,485,748	-6.73%
Health & welfare	5,194,978	5,342,722			5,194,978	5,342,722	2.84%
Education	10,928,447	11,179,266			10,928,447	11,179,266	2.30%
Parks, recreation, and cultural	2,258,430	2,257,163			2,258,430	2,257,163	-0.06%
Community development	1,992,171	2,030,064			1,992,171	2,030,064	1.90%
Interest on long-term debt	1,179,416	2,141,680			1,179,416	2,141,680	81.59%
Public utilities	<u>0</u>	<u>0</u>	<u>16,090,180</u>	<u>16,185,800</u>	<u>16,090,180</u>	<u>16,185,800</u>	0.59%
Total expenses	\$39,717,498	\$41,522,426	\$16,090,180	\$16,185,800	\$55,807,678	\$57,708,226	
Excess (deficiency) before Special items and transfers	\$1,066,138	\$795,488	(\$1,880,975)	(\$477,010)	(\$814,837)	\$318,478	
Special item							
Transfers	<u>\$205,117</u>	<u>275,000</u>	<u>-205,117</u>	<u>-275,000</u>	<u>0</u>	<u>0</u>	0.00%
Increase(decrease) in net assets	\$1,271,255	\$1,070,488	(\$2,086,092)	(\$752,010)	(\$814,837)	\$318,478	

Table A-3 presents the cost of each of the City's four largest programs- public safety, public works, education, and health & welfare- as well as each program's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was place on the City's taxpayers by each of these functions.

- The cost of all governmental activities this year was \$41.5 million.
- However, the amount that our taxpayers paid for these activities was \$31.3 million. Some of the cost was paid by:
 - Those who directly benefited from the programs, or
 - Other governments and organizations that subsidized certain programs with grants and contributions.
- The city paid for the \$31.3 million "public benefit" portion with taxes and with other revenues such as interest, and unrestricted state aid.

Table A-3

**City of Hopewell, Virginia
Net Cost of Certain Governmental Activities
For the year ended June 30, 2005**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2004	2005	2004-2005	2004	2005	2004-2005
Public Safety	\$9,486,916	\$10,565,072	11.36%	\$7,380,286	\$8,555,884	15.93%
Public Works	3,737,248	3,485,748	-6.73%	1,159,423	822,016	-29.10%
Education	10,928,447	11,179,266	2.30%	10,896,793	11,111,584	1.97%
Health & Welfare	5,194,978	5,342,722	2.84%	1,708,635	1,647,631	-3.57%
Other	10,369,909	10,924,884	5.35%	8,207,956	9,158,635	11.58%
Total	\$39,717,498	\$41,497,692		\$29,353,093	\$31,295,750	

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported an undesignated fund balance of \$19 million, slightly above last year. Included in this year's changes in governmental fund balance is an increase of \$.6 million in the General Fund, a decrease in the Public Assistance fund deficit to \$491 dollars, and Capital Projects Fund balance increase of \$7.8 million, which includes unspent bond proceeds of \$6.2 million and a decrease of \$578,301 in Other Governmental Funds undesignated fund balances.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council amended the City budget. These budget amendments fell into two categories:

- Amendments and appropriations approved after the beginning of the year to reflect prior year encumbrances that must be re-authorized for expenditure in the "new" budget year.
- Increases in appropriations for budget items occurring during the year that were not part of the original budget.

Even with these adjustments, actual expenditures were \$1.8 million below final budget amounts. The most significant positive variances resulted from:

- Public Works Dept. \$ 367,979
- Police Department 464,638

Resources available for appropriation were \$.075 million below the final budgeted amount. As noted previously:

- Property and other tax collections were less than budgeted.
- Miscellaneous Income earnings failed to meet estimates.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2005, the City had invested \$43.7 million in a broad range of capital assets, including police and fire equipment, buildings, park facilities, sewer plants, and sewer lines. (See Table A-4). This amount represents a net decrease (including additions and deductions) of \$2.9 million, over the last year.

Table A-4

**City of Hopewell, Virginia
Capital Assets excluding Depreciation
At June 30, 2005**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2004	2005	2004	2005	2004	2005	2004-2005
Land	\$2,483,502	\$2,562,752	\$313,946	\$313,946	\$2,797,448	\$2,876,698	2.83%
Buildings/Improvements	14,685,819	15,407,580	5,500,579	9,113,677	\$20,186,398	\$24,521,257	21.47%
Equipment	8,249,424	5,648,436	21,523,576	9,458,309	\$29,773,000	\$15,106,745	-49.26%
Jointly Owned Assets	21,220,038	20,061,496	0	0	\$21,220,038	\$20,061,496	0.00%
Construction in progress	0	0	0	0	0	0	0.00%
Total	\$46,638,783	\$43,680,264	\$27,338,101	\$18,885,932	\$73,976,884	\$62,566,196	

This year's major capital asset additions included:

- Computers and maintenance vehicles.

The City's fiscal year 2006 capital budget projects spending \$20.7 million of which \$4.2 million is for debt service, \$8.1 million is for a new library and \$4.6 million for the Downtown Redevelopment Plan. The City will use bond obligations, along with cash, to finance the capital projects.

LONG-TERM DEBT

At year-end the City had \$47.2 million in bonds and notes outstanding as shown in Table A-5. More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

Table A-5

**City of Hopewell, Virginia
Schedule of Outstanding Debt
At June 30, 2005**

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2004	2005	2004	2005	2004	2005	2004-2005
General obligation bonds	\$19,657,831	\$38,100,511			\$19,657,831	\$38,100,511	93.82%
Literary loans	9,883,000	9,052,000			9,883,000	9,052,000	-8.41%
Revenue bonds	0	0	13,665,000	13,305,000	13,665,000	13,305,000	-2.63%
Total	\$29,540,831	\$47,152,511	\$13,665,000	\$13,305,000	\$43,205,831	\$60,457,511	

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Unemployment in the City at June 30, 2005 stood at 5.7 percent versus 6.8 percent a year ago.
- Inflation in the tri-cities metropolitan area continues to follow the national consumer price index.
 - The South CPI index was 2.7 percent for fiscal year 2005.
 - The national CPI index was 2.5 percent.

These indicators and other goals were taken into account when adopting the general fund budget for 2006. Amounts available for appropriation in the general fund budget are \$37.2 million, an increase of 7 percent over the final 2005 budget of \$ 34.6 million. Property taxes and public service taxes are expected to increase as the source of funding budget increase. Budgeted expenditures are expected to rise nearly 5 percent to \$36.6 million. The largest increments are increased wages and health insurance contributions.

If these estimates are realized, the City's budgetary general fund balance is expected to increase modestly by the close of 2006. As for the City's business-type activities, we expect the 2006 results to improve the financial position in a modest amount.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Hopewell Finance Office, 300 N Main Street, Hopewell, VA 23860.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Hopewell, Virginia
Statement of Net Assets
June 30, 2005

	Primary Government			Component Unit	Component Unit
	Governmental	Business-type			Comprehensive Services
	Activities	Activities	Total	School Board	Act Board
ASSETS					
Cash and cash equivalents	\$ 24,120,822	\$ 18,359,479	\$ 42,480,301	\$ 4,447,967	\$ 370
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,677,943	-	3,677,943	-	-
Accounts receivable	392,429	1,206,192	1,598,621	73,125	-
Interest receivable	-	42,593	42,593	-	-
Due from other governmental units	1,501,604	-	1,501,604	1,591,304	462,808
Inventories	55,853	1,046,245	1,102,098	30,102	-
Prepaid expenses	118,399	4,340	122,739	-	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents (in custody of others)	19,773,146	1,167,481	20,940,627	-	-
Capital assets (net of accumulated depreciation):					
Land	2,562,752	313,946	2,876,698	398,728	-
Buildings and system	21,730,411	2,184,637	23,915,048	13,167,931	-
Machinery and equipment	1,685,006	14,188,350	15,873,356	1,189,511	-
Sewer main improvements	-	2,198,999	2,198,999	-	-
Construction in progress	659,442	-	659,442	-	-
Total assets	\$ 76,277,807	\$ 40,712,262	\$ 116,990,069	\$ 20,898,668	\$ 463,178
LIABILITIES					
Accounts payable	\$ 813,153	865,985	\$ 1,679,138	\$ 280,351	302,549
Accrued liabilities	639,664	1,336,764	1,976,428	3,344,589	-
Accrued interest payable	752,075	-	752,075	-	-
Due to other governmental units	-	-	-	-	158,340
Deferred revenue	-	876,636	876,636	-	-
Long-term liabilities:					
Due within one year	4,039,737	604,727	4,644,464	198,191	-
Due in more than one year	46,171,700	13,050,860	59,222,560	426,705	-
Total liabilities	\$ 52,416,329	\$ 16,734,972	\$ 69,151,301	\$ 4,249,836	\$ 460,889
NET ASSETS					
Invested in capital assets, net of related debt	\$ (2,904,259)	\$ 5,580,932	\$ 2,676,673	\$ 14,756,170	\$ -
Restricted for:					
Encumbrances	15,606,832	-	15,606,832	354,871	-
Debt service and bond covenants	-	1,167,481	1,167,481	-	-
Perpetual care	1,114,014	-	1,114,014	-	-
Unrestricted (deficit)	10,044,891	17,228,877	27,273,768	1,537,791	2,289
Total net assets	\$ 23,861,478	\$ 23,977,290	\$ 47,838,768	\$ 16,648,832	\$ 2,289

The notes to the financial statements are an integral part of this statement.

City of Hopewell, Virginia
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units Comprehensive Services Act Board
					Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 2,945,790	\$ -	\$ 247,163	\$ -	\$ (2,698,627)	\$ -	\$ (2,698,627)	\$ -
Judicial administration	1,574,921	198,943	784,259	-	(591,719)	-	(591,719)	-
Public safety	10,565,072	224,206	1,784,982	-	(8,555,884)	-	(8,555,884)	-
Public works	3,485,748	-	2,663,732	-	(822,016)	-	(822,016)	-
Health and welfare	5,342,722	-	3,695,091	-	(1,647,631)	-	(1,647,631)	-
Education	11,179,266	-	67,682	-	(11,111,584)	-	(11,111,584)	-
Parks, recreation, and cultural	2,257,163	103,291	42,700	-	(2,111,172)	-	(2,111,172)	-
Community development	2,030,064	-	389,893	-	(1,640,171)	-	(1,640,171)	-
Interest on long-term debt	2,141,680	-	-	-	(2,141,680)	-	(2,141,680)	-
Total government activities	\$ 41,522,426	\$ 528,440	\$ 9,675,502	\$ -	\$ (31,320,484)	\$ -	\$ (31,320,484)	\$ -
Business-type activities:								
Public utilities	\$ 16,185,800	\$ 14,195,204	\$ 1,174,420	-	\$ -	\$ (816,176)	\$ (816,176)	\$ -
Total business-type activities	16,185,800	14,195,204	1,174,420	-	-	(816,176)	(816,176)	-
Total primary government	\$ 57,708,226	\$ 14,721,644	\$ 10,849,922	\$ -	\$ (31,320,484)	\$ (816,176)	\$ (32,136,660)	\$ -
COMPONENT UNITS:								
School Board	\$ 37,058,960	\$ 767,940	\$ 26,315,364	\$ -	\$ -	\$ -	\$ (9,975,656)	\$ -
Comprehensive Services Act Board	2,239,906	-	2,186,677	-	-	-	-	(53,229)
Total component units	\$ 39,298,866	\$ 767,940	\$ 28,502,041	\$ -	\$ -	\$ -	\$ (9,975,656)	\$ (53,229)
General revenues:								
General property taxes					\$ 22,452,725	\$ -	\$ 22,452,725	\$ -
Local sales tax					1,710,007	-	1,710,007	-
Business license tax					1,411,667	-	1,411,667	-
Consumer's utility tax					1,138,794	-	1,138,794	-
Other local taxes					2,672,065	-	2,672,065	-
Unrestricted revenues from use of money and property					992,484	339,166	1,331,650	-
Miscellaneous					147,042	-	147,042	55,518
Grants and contributions not restricted to specific programs					1,591,188	-	1,591,188	-
Payment from the City of Hopewell					-	-	-	-
Transfers					275,000	(275,000)	-	-
Total general revenues					\$ 32,390,972	\$ 64,166	\$ 32,455,138	\$ 10,779,941
Change in net assets					\$ 1,070,488	\$ (752,010)	\$ 318,478	\$ 804,285
Net assets - beginning, as adjusted					22,790,990	24,729,300	47,520,290	15,844,547
Net assets - ending					\$ 23,861,478	\$ 23,977,290	\$ 47,838,768	\$ 16,648,832

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

City of Hopewell, Virginia
Balance Sheet
Governmental Funds
June 30, 2005

	<u>General</u>	<u>Virginia Public Assistance</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 9,361,639	\$ -	\$ 20,288,395	\$ 816,447	\$ 30,466,481
Cash in custody of others		-	13,427,487	-	13,427,487
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,677,943	-	-	-	3,677,943
Accounts receivable	211,714	31,310	148,919	486	392,429
Due from other funds	384,454	-	-	-	384,454
Due from other governmental units	1,228,725	249,461	-	23,418	1,501,604
Inventories	55,853	-	-	-	55,853
Prepaid items	116,999	-	1,400	-	118,399
Total assets	<u>\$ 15,037,327</u>	<u>\$ 280,771</u>	<u>\$ 33,866,201</u>	<u>\$ 840,351</u>	<u>\$ 50,024,650</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 644,102	\$ 618	\$ 52,873	\$ 115,560	\$ 813,153
Accrued liabilities	1,018,494	49,696	-	123,300	1,191,490
Due to other funds	-	230,948	153,506	-	384,454
Deferred revenue	3,497,772	-	3,496	-	3,501,268
Total liabilities	<u>\$ 5,160,368</u>	<u>\$ 281,262</u>	<u>\$ 209,875</u>	<u>\$ 238,860</u>	<u>\$ 5,890,365</u>
Fund balances:					
Reserved for:					
Inventories	\$ 55,853	\$ -	\$ -	\$ -	\$ 55,853
Encumbrances	102,991	-	15,405,872	97,969	15,606,832
Perpetual care	1,114,014	-	-	-	1,114,014
Unreserved:					
Designated:					
Bond coverage reserve	-	-	4,500,000	-	4,500,000
Tourism office	38,547	-	-	-	38,547
ACIS system	44,056	-	-	-	44,056
Self insurance	3,382,826	-	-	-	3,382,826
Youth Care Commission	144,946	-	-	-	144,946
Fire department equipment	272,997	-	-	-	272,997
Reported in:					
General fund	4,720,729	-	-	-	4,720,729
Special revenue funds	-	(491)	-	503,522	503,031
Capital projects funds	-	-	13,750,454	-	13,750,454
Total fund balances	<u>\$ 9,876,959</u>	<u>\$ (491)</u>	<u>\$ 33,656,326</u>	<u>\$ 601,491</u>	<u>\$ 44,134,285</u>
Total liabilities and fund balances	<u>\$ 15,037,327</u>	<u>\$ 280,771</u>	<u>\$ 33,866,201</u>	<u>\$ 840,351</u>	<u>\$ 50,024,650</u>

The notes to the financial statements are an integral part of this statement.

City of Hopewell, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 44,134,285
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	26,637,611
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	3,501,268
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(50,411,686)
Net assets of governmental activities	<u>\$ 23,861,478</u>

The notes to the financial statements are an integral part of this statement.

City of Hopewell, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	<u>General</u>	<u>Virginia Public Assistance</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 21,098,729	\$ -	\$ -	\$ -	\$ 21,098,729
Other local taxes	5,586,169	-	1,346,364	-	6,932,533
Permits, privilege fees, and regulatory licenses	93,462	-	-	-	93,462
Fines and forfeitures	79,376	-	-	-	79,376
Revenue from the use of money and property	244,474	-	666,447	81,563	992,484
Charges for services	250,311	-	-	103,291	353,602
Miscellaneous	(117,292)	-	124,931	135,913	143,552
Intergovernmental revenues:					
Commonwealth	6,862,609	1,106,684	-	4,375	7,973,668
Federal	382,329	2,499,685	-	411,008	3,293,022
Total revenues	<u>\$ 34,480,167</u>	<u>\$ 3,606,369</u>	<u>\$ 2,137,742</u>	<u>\$ 736,150</u>	<u>\$ 40,960,428</u>
EXPENDITURES					
Current:					
General government administration	\$ 2,725,084	\$ -	\$ -	\$ -	\$ 2,725,084
Judicial administration	1,331,479	-	-	-	1,331,479
Public safety	10,307,147	-	-	-	10,307,147
Public works	3,334,223	-	-	5,158	3,339,381
Health and welfare	1,148,666	4,070,241	-	-	5,218,907
Education	8,111,377	-	1,452,903	-	9,564,280
Parks, recreation, and cultural	482,279	-	-	1,734,156	2,216,435
Community development	937,988	-	-	370,684	1,308,672
Nondepartmental	864,169	-	-	-	864,169
Capital projects	-	-	1,511,459	-	1,511,459
Debt service:					
Principal retirement	1,385,320	-	1,003,000	-	2,388,320
Interest and other fiscal charges	606,551	-	1,287,440	-	1,893,991
Total expenditures	<u>\$ 31,234,283</u>	<u>\$ 4,070,241</u>	<u>\$ 5,254,802</u>	<u>\$ 2,109,998</u>	<u>\$ 42,669,324</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 3,245,884</u>	<u>\$ (463,872)</u>	<u>\$ (3,117,060)</u>	<u>\$ (1,373,848)</u>	<u>\$ (1,708,896)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 636,539	\$ 479,809	\$ 1,925,630	\$ 1,194,301	\$ 4,236,279
Transfers out	(3,266,740)	-	(361,539)	(333,000)	(3,961,279)
Debt issuance	-	-	20,000,000	-	20,000,000
Debt issuance premium	-	-	648,711	-	648,711
Total other financing sources (uses)	<u>\$ (2,630,201)</u>	<u>\$ 479,809</u>	<u>\$ 22,212,802</u>	<u>\$ 861,301</u>	<u>\$ 20,923,711</u>
Net change in fund balances	\$ 615,683	\$ 15,937	\$ 19,095,742	\$ (512,547)	\$ 19,214,815
Fund balances - beginning	9,261,276	(16,428)	14,560,584	1,114,038	24,919,470
Fund balances - ending	<u>\$ 9,876,959</u>	<u>\$ (491)</u>	<u>\$ 33,656,326</u>	<u>\$ 601,491</u>	<u>\$ 44,134,285</u>

The notes to the financial statements are an integral part of this statement.

City of Hopewell, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 19,214,815
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	(825,304)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,357,486
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(18,298,911)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	(377,598)
Change in net assets of governmental activities	<u><u>\$ 1,070,488</u></u>

The notes to the financial statements are an integral part of this statement.

City of Hopewell, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2005

Business-Type Activities - Enterprise Funds				
Hopewell				
Regional Wastewater				
	Treatment Facilities Fund	Sewer Service Fund	Solid Waste Fund	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 5,131,530	\$ 11,148,753	\$ 2,079,196	\$ 18,359,479
Interest receivable	2,146	38,878	1,569	42,593
Accounts receivables, net of allowances for uncollectibles	410,094	628,232	167,866	1,206,192
Inventories	1,046,245	-	-	1,046,245
Prepaid expenses	4,340	-	-	4,340
Total current assets	\$ 6,594,355	\$ 11,815,863	\$ 2,248,631	20,658,849
Noncurrent assets:				
Restricted current assets:				
Cash and cash equivalents	\$ 1,167,481	\$ -	\$ -	1,167,481
Total restricted current assets	\$ 1,167,481	\$ -	\$ -	\$ 1,167,481
Capital assets:				
Utility plant in service	\$ 8,611,799	\$ 501,878	\$ -	\$ 9,113,677
Land	216,026	97,920	-	313,946
Machinery and equipment	51,877,250	617,390	-	52,494,640
Sewer main improvements	-	5,011,534	-	5,011,534
Less accumulated depreciation	(44,345,060)	(3,702,805)	-	(48,047,865)
Total capital assets	\$ 16,360,015	\$ 2,525,917	\$ -	\$ 18,885,932
Total noncurrent assets	\$ 17,527,496	\$ 2,525,917	\$ -	\$ 20,053,413
Total assets	\$ 24,121,851	\$ 14,341,780	\$ 2,248,631	40,712,262
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 559,720	\$ 92,698	\$ 213,567	\$ 865,985
Accrued liabilities	1,326,399	8,176	2,189	1,336,764
Compensated absences	171,958	16,312	3,124	191,394
Deferred revenue	876,636	-	-	876,636
Bonds payable - current portion	385,000	-	-	385,000
Leases and other obligations - current portion	28,333	-	-	28,333
Total current liabilities	\$ 3,348,046	\$ 117,186	\$ 218,880	\$ 3,684,112
Noncurrent liabilities:				
Bonds payable - net of current portion	\$ 12,920,000	\$ -	\$ -	\$ 12,920,000
Long-term lease and other obligations - net of current portion	28,334	-	-	28,334
Compensated absences	92,575	9,047	904	102,526
Total noncurrent liabilities	\$ 13,040,909	\$ 9,047	\$ 904	\$ 13,050,860
Total liabilities	\$ 16,388,955	\$ 126,233	\$ 219,784	\$ 16,734,972
NET ASSETS				
Invested in capital assets, net of related debt	\$ 3,055,015	\$ 2,525,917	\$ -	\$ 5,580,932
Restricted for debt service and bond covenants	1,167,481	-	-	1,167,481
Unrestricted	3,510,400	11,689,630	2,028,847	17,228,877
Total net assets	\$ 7,732,896	\$ 14,215,547	\$ 2,028,847	\$ 23,977,290

The notes to the financial statements are an integral part of this statement.

City of Hopewell, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds						
	Hopewell Regional Wastewater Treatment Facilities <u>Fund</u>			Sewer Service Fund <u>Fund</u>	Solid Waste Fund <u>Fund</u>	<u>Total</u>	
OPERATING REVENUES							
Charges for services:							
Wastewater treatment revenues	\$	8,781,955	\$	-	\$	-	\$ 8,781,955
Sewer revenues		-		3,875,966		-	3,875,966
Refuse collection		-		-		1,537,283	1,537,283
Total operating revenues	\$	8,781,955	\$	3,875,966	\$	1,537,283	\$ 14,195,204
OPERATING EXPENSES							
Personal services	\$	2,521,350	\$	209,501	\$	70,116	\$ 2,800,967
Fringe benefits		753,973		66,124		26,152	846,249
Contractual services		744,383		1,758,124		850,760	3,353,267
Administrative services		93,977		95,388		27,218	216,583
Materials and supplies		212,170		58,859		3,813	274,842
Repairs and maintenance		1,679,000		546,664		43,706	2,269,370
Utilities		100,460		66,521		9,049	176,030
Fuel		1,708,177		8,862		1,826	1,718,865
Insurance		71,024		7,281		2,167	80,472
Chemicals		527,748		3,380		-	531,128
Miscellaneous		3,996		5		58,834	62,835
Depreciation		2,857,465		174,778		-	3,032,243
Total operating expenses	\$	11,273,723	\$	2,995,487	\$	1,093,641	\$ 15,362,851
Operating income (loss)	\$	(2,491,768)	\$	880,479	\$	443,642	\$ (1,167,647)
NONOPERATING REVENUES (EXPENSES)							
Intergovernmental revenue	\$	1,174,420	\$	-	\$	-	\$ 1,174,420
Investment earnings		67,634		231,191		40,341	339,166
Interest expense		(822,949)		-		-	(822,949)
Total nonoperating revenues (expenses)	\$	419,105	\$	231,191	\$	40,341	\$ 690,637
Income before contributions and transfers	\$	(2,072,663)	\$	1,111,670	\$	483,983	\$ (477,010)
Transfers out	\$	-	\$	-	\$	(275,000)	\$ (275,000)
Change in net assets	\$	(2,072,663)	\$	1,111,670	\$	208,983	\$ (752,010)
Total net assets - beginning, as adjusted (Note 17)		9,805,559		13,103,877		1,819,864	24,729,300
Total net assets - ending	\$	7,732,896	\$	14,215,547	\$	2,028,847	\$ 23,977,290

The notes to the financial statements are an integral part of this statement.

City of Hopewell, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds			
	Hopewell			
	Regional Wastewater			
	Treatment			
	Facilities			
	Fund	Sewer Service	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 9,413,499	\$ 3,830,124	\$ 1,543,520	\$ 14,787,143
Receipts for materials and supplies	-	-	-	-
Receipts for miscellaneous items	-	-	-	-
Payments to suppliers	(5,493,808)	(2,749,766)	(821,092)	(9,064,666)
Payments to employees	(2,559,834)	(214,917)	(70,923)	(2,845,674)
Net cash provided (used by) operating activities	\$ 1,359,857	\$ 865,441	\$ 651,505	\$ 2,876,803
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	\$ -	\$ -	\$ (275,000)	\$ (275,000)
Intergovernmental revenue	1,174,420	-	-	1,174,420
Net cash provided (used) by noncapital financing activities	\$ 1,174,420	\$ -	\$ (275,000)	\$ 899,420
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Additions to utility plant -	\$ (564,301)	\$ -	\$ -	\$ (564,301)
Principal payments on bonds	(360,000)	-	-	(360,000)
Principal payments on lease obligations	(28,333)	-	-	(28,333)
Proceeds from indebtedness	85,000	-	-	85,000
Interest payments	(822,949)	-	-	(822,949)
Net cash provided (used) by capital and related financing activities	\$ (1,690,583)	\$ -	\$ -	\$ (1,690,583)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	\$ 66,488	\$ 192,313	\$ 39,454	\$ 298,255
Net cash provided (used) by investing activities	\$ 66,488	\$ 192,313	\$ 39,454	\$ 298,255
Net increase (decrease) in cash and cash equivalents	\$ 910,182	\$ 1,057,754	\$ 415,959	\$ 2,383,895
Cash and cash equivalents - beginning - including restricted	\$ 5,388,829	\$ 10,090,999	\$ 1,663,237	\$ 17,143,065
Cash and cash equivalents - ending - including restricted	\$ 6,299,011	\$ 11,148,753	\$ 2,079,196	\$ 19,526,960
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (2,491,768)	\$ 880,479	\$ 443,642	\$ (1,167,647)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	\$ 2,857,465	\$ 174,778	\$ -	\$ 3,032,243
(Increase) decrease in accounts receivable	(245,092)	(45,842)	6,237	(284,697)
(Increase) decrease in inventories	(46,677)	-	-	(46,677)
(Increase) decrease in prepaid expenses	(4,340)	-	-	(4,340)
Increase (decrease) in accounts payable and accrued liabilities	413,633	(143,974)	201,626	471,285
Increase (decrease) in deferred revenue	876,636	-	-	876,636
Total adjustments	\$ 3,851,625	\$ (15,038)	\$ 207,863	\$ 4,044,450
Net cash provided (used) by operating activities	\$ 1,359,857	\$ 865,441	\$ 651,505	\$ 2,876,803

The notes to the financial statements are an integral part of this statement.

City of Hopewell, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 33,217
Receivables:	
Other receivables	7
Total assets	<u>\$ 33,224</u>
LIABILITIES	
Amounts held for social services clients	\$ 33,224
Total liabilities	<u>\$ 33,224</u>

The notes to the financial statements are an integral part of this statement.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements As of June 30, 2005

Note 1—Summary of Significant Accounting Policies:

The City of Hopewell, Virginia (the "City") was incorporated in 1916 and its current charter was granted in 1950. The City operates under a Council/Manager form of government and provides a full range of services to its citizens. These services include public safety (police and fire), public works, health and welfare services, parks, recreation, and cultural, education, community and economic development and judicial and general administrative services. The City owns and operates sewer, wastewater and solid waste treatment systems.

The financial statements of the City of Hopewell, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below. Unless otherwise stated, the accounting policies of the Component Unit School Board and Component Unit Comprehensive Services Act Board are similar to those of the City.

Financial Statement Presentation

In June 1999, GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement, known as the "Reporting Model" statement, affects the way the City prepares and presents financial information.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

Statement of Net Assets - The Statement of Net Assets is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component unit. Governments will report all capital assets in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the City of Hopewell (the primary government) and its component units. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Individual Component Unit Disclosures

Blended Component Unit. The City has no blended component units to be included for the fiscal year ended June 30, 2005.

Discretely Presented Component Units. The School Board members are appointed by the members of the City Council. The School Board is responsible for the operations of the City's School System within the City boundaries. The School Board is fiscally dependent on the City. The City has the ability to approve its budget and any amendments. The primary funding of the school board is from the General Fund of the City. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the City financial statements for the fiscal year ended June 30, 2005.

The Comprehensive Services Act Board is responsible for providing family and youth services to the citizens of the City in accordance with the State Comprehensive Services Act. The Board consists of members appointed by the City Council. The Board is fiscally dependent on the City, and therefore, it is included in the City's financial statements as a discrete presentation for the year ended June 30, 2005. The Comprehensive Services Act Board does not issue a separate financial report.

C. Other Related Organizations

Included in the City's Financial Report

None

Joint Ventures - The City is a participant with six other localities in a joint venture to operate the Riverside Regional Jail Authority (the Authority). The Authority is governed by a seven-member board composed of one appointee from each locality. Each locality is obligated by contract to house its inmate population with the Authority up to its authorized slots. The City does not retain a financial interest in the Authority. Financial statements of the Authority can be obtained at its administrative offices at Superintendent, Riverside Regional Jail Authority, P.O. Box 1041, Hopewell, Virginia 23860.

The City is a participant with the County of Dinwiddie and County of Prince George in a joint venture to operate the Appomattox Regional Library (the Library). The Library is governed by an 11-member board composed of five appointees from Hopewell and three each from Dinwiddie and Prince George. Each locality is obligated by contract to fund a percentage of the Library's approved budget. In accordance with the joint venture agreement, the City remitted approximately \$465,000 to the Library for fiscal 2005. The City has an ongoing financial responsibility to fund the Library, but does not retain a financial interest in the Library. Financial statements for the Library can be obtained at its administrative offices at 245 East Cawson Street, Hopewell, Virginia 23860.

Jointly Governed Organizations - The City participates with the eight other localities in the District 19 Community Services Board. The City also participates with five other localities in Virginia's Gateway Regional, a regional economic development organization. The City provided funding of \$91,865 and \$29,620, respectively, during fiscal 2005 to these entities. The City also participates with six other localities in the Crater Youth Care Commission.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Other Related Organizations (continued)

Related Organizations - The City is also responsible for appointing members of the boards of two organizations, but the City's accountability for these organizations do not extend beyond making these appointments. Related organizations during the year ended June 30, 2005 are as follows: Hopewell Industrial Development Authority and Hopewell Redevelopment and Housing Authority.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

The government-wide statement of activities reflect both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the City.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting of primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time other specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The City reports the General Fund as a major governmental fund.

The General Fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant part of the General Fund's revenues is used principally to finance the operations of the Component Unit School Board. The General Fund is considered a major fund for government-wide reporting purposes.

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Capital Projects Fund - The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds.

Proprietary Funds - account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

Enterprise Funds - Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The City's Major Enterprise Funds consist of the following: Hopewell Regional Wastewater Treatment Facility, Sewer Service, and Solid Waste.

Special Revenue Funds: Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the following major funds: Virginia Public Assistance and the following non-major funds: Recreation, Community Development Block Grant, and Anti-Litter. The Virginia Public Assistance Fund accounts for the Social Services programs of the City and is funded primarily through intergovernmental revenues.

Fiduciary Funds - (Trust and Agency Funds) - account for assets held by the City unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private Purpose Trust and Agency Funds. Private Purpose Trust Funds utilize the accrual basis of accounting as described in the Proprietary Funds Presentation. Agency funds utilize the accrual basis of accounting described in the Governmental Fund Presentation. Agency funds include the Special Welfare Fund only. Fiduciary funds are not included in the government-wide financial statements.

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments for the government, as well as for its component units are reported at fair value.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

F. Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

G. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,023,097 at June 30, 2005 is composed solely of property taxes.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	June 15/December 5 (50% each date)	December 5
Lien Date	January 1	January 1

The City bills and collects its own property taxes. The City follows the practice of reassessing real estate biennially and personal property annually.

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the City as land, buildings, and equipment with an initial individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of two years. The City does not have any infrastructure in its capital assets at June 30, 2005. The City of Hopewell is required to retroactively record infrastructure by fiscal year 2007. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

H. Capital Assets (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized asset as of June 30, 2005 was immaterial.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Plant, equipment and system	20-30
Motor vehicles	5
Equipment	3-10

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Assets. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

J. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service cost over a 30-year period. The City's policy is to fund pension cost as it accrues.

K. Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

M. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

N. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligation are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Prepaid Items

Prepaid expenditures in governmental funds are offset by reservation of fund balance.

P. Inventory

Inventory is valued at cost using the weighted average method. Inventory consists of expendable supplies help for consumption and is recorded as expenditures when used (consumption method). In the Governmental Funds, inventory is equally offset by a fund balance reserve which indicates that it does not constitute “currently expendable financial resources”.

Note 2—Stewardship, Compliance, and Accounting:

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. The City Charter requires the City Manager to submit to the City Council an annual budget for the ensuing fiscal year at least 60 days prior to the beginning of such fiscal year.
2. A public hearing on the budget is held after a synopsis of the budget is published in a local newspaper of general circulation. After a public hearing, the City Council may change any item in the budget (other than debt service or items required by law). A budget resolution must be adopted by the City Council prior to June 30 or as soon thereafter as is practicable.
3. The City utilizes the budget resolution of budgetary control whereby City Council adopts budgets for estimated revenues and expenditures on a departmental basis for the General Fund and Special Revenue Funds. Capital Projects Funds are budgeted on a project-length basis. Adopted budgets may be amended or superseded by action of City Council.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 2—Stewardship, Compliance, and Accounting (Continued):

4. Budgets are also adopted by City Council for the Enterprise Funds. Budget to actual comparisons for these funds are not presented herein since there is no legal requirement for such presentation.
5. All operating budgets include proposed expenditures and the means of financing them. City Council must approve any budget revisions at the department level once the budget resolution has been adopted. Budgeted amounts as presented in the financial statements reflect reallocations within budget categories through June 30, 2005.
6. Appropriation control is maintained at the department level. Appropriations lapse at year end. Encumbrances and reserved fund balances outstanding at year end are re-appropriated in the succeeding year. Several supplemental appropriations were necessary during the fiscal year.
7. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2005, except as follows:
Anti-Litter Fund

Fund Deficits

The following funds had deficit balances at June 30, 2005:

Community Development Block Grant	(\$782)
Virginia Public Assistance Fund	(\$491)

Note 3—Deposits and Investments:

Deposits

All cash of the primary government and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

Investments

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 3—Deposits and Investments: (Continued)

Credit Risk of Debt Securities

The City's rated debt investments as of June 30, 2005 were rated by *Standard and Poor's* and the ratings are presented below using the *Standard and Poor's* rating scale. The City's investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio.

Locality's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings								
	AAA	AAAm	AA2	AA	AA2	AA+	A+	A-1+	Unrated
Local Government Investment Pool	\$ -	\$ 22,767,936	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Virginia State Non-Arbitrage Pool	-	1,118,701	-	-	-	-	-	-	-
Municipal/Public Bonds	6,867,875	-	-	-	100,627	200,902	201,188	12,132,432	-
Corporate Debt	201,137	-	99,883	152,918	-	-	-	8,045,005	1,523,827
Money Market Mutual Fund	-	9,027,159	-	-	-	-	-	-	-
Commercial Paper	-	-	-	-	-	-	-	1,654,413	-
Repurchase Agreements - Underlying: U.S. Agency Securities	-	-	-	-	-	-	-	-	4,058,251
Total	\$ 7,069,012	\$ 32,913,796	\$ 99,883	\$ 152,918	\$ 100,627	\$ 200,902	\$ 201,188	\$ 21,831,850	\$ 5,582,078

Interest Rate Risk

According to the City's investment policy, at no time shall securities with maturity dates in excess of six months exceed ten percent of the total budget of the City for the current fiscal year.

Investment Maturities (in years)

Investment Type	Fair Value	Less Than			Greater Than
		1 Year	1-5 Years	6-10 Years	10 Years
Municipal/Public Bonds	\$ 19,503,024	\$ 16,908,409	\$ 2,594,615	\$ -	\$ 2
Corporate Debt	10,022,770	9,442,960	579,810	-	-
Commercial Paper	1,654,413	1,654,413	-	-	-
Repurchase Agreements - Underlying: U.S. Agency Securities	4,058,251	4,058,251	-	-	-
Total	\$ 35,238,458	\$ 32,064,033	\$ 3,174,425	\$ -	\$ 2

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 4—Due from Other Governments:

At June 30, 2005, the City has receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit School Board</u>	<u>Component Unit Comprehensive Services Act Board</u>
Other Local Governments:			
City of Hopewell Comprehensive Services Act Board	\$ 158,340	\$ -	\$ -
Commonwealth of Virginia:			
Local sales tax	302,695	-	-
Transportation funds	665,933	-	-
VPA funds	79,420	-	-
Fringe Benefits	-	91,600	-
State Sales Tax	-	584,735	-
Constitutional officer reimbursements	88,254	-	-
Miscellaneous grants	8,961	-	-
Comprehensive service	-	-	462,808
Federal Government:			
School fund grants	-	914,969	-
Community Development Block Grant	23,418	-	-
VPA funds	170,041	-	-
Homeland security	-	-	-
Other federal grants	4,542	-	-
Total due from other governments	\$ <u>1,501,604</u>	\$ <u>1,591,304</u>	\$ <u>462,808</u>

Amounts due to other governments are as follows:

Other Local Governments:			
City of Hopewell	\$ <u>-</u>	\$ <u>-</u>	\$ <u>158,340</u>

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 5—Interfund Obligations:

Details of the Primary Government's interfund receivables and payables as of June 30, 2005 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 384,454	\$ -
Capital Projects	-	143,506
Virginia Public Assistance	-	230,984
	<u>\$ 384,454</u>	<u>\$ 384,454</u>

Details of the Component Unit School Board's interfund receivables and payables as of June 30, 2005 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Building and Bus Replacement	\$ 286,227	\$ -
School Operating	-	286,227
	<u>\$ 286,227</u>	<u>\$ 286,227</u>

The purpose of the Interfund obligations is to report the balance of local appropriations unspent at year-end due back to the respective funds.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements As of June 30, 2005 (Continued)

Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2005:

Primary Government:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 2,483,502	\$ 79,250	\$ -	\$ 2,562,752
Construction in progress	-	659,442	-	659,442
Total capital assets not subject to depreciation	\$ 2,483,502	\$ 738,692	\$ -	\$ 3,222,194
Capital assets subject to depreciation:				
Buildings	14,748,138	-	-	14,748,138
Equipment	5,085,575	562,861	-	5,648,436
Jointly owned assets	21,220,038	-	1,158,542	20,061,496
Total capital assets being depreciated	\$ 41,053,751	\$ 562,861	\$ 1,158,542	\$ 40,458,070
Less accumulated depreciation for:				
Buildings	\$ (9,382,136)	\$ (316,102)	\$ -	\$ (9,698,238)
Equipment	(3,537,989)	(425,441)	-	(3,963,430)
Jointly owned assets	(3,154,207)	(226,778)	-	(3,380,985)
Total accumulated depreciation	\$ (16,074,332)	\$ (968,321)	\$ -	\$ (17,042,653)
Total capital assets being depreciated, net	\$ 24,979,419	\$ (405,460)	\$ 1,158,542	\$ 23,415,417
Governmental capital assets , net	\$ 27,462,921	\$ 333,232	\$ 1,158,542	\$ 26,637,611

Component Unit - School Board:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 398,728	\$ -	\$ -	\$ 398,728
Capital assets subject to depreciation:				
Equipment	\$ 2,240,665	\$ 363,018	\$ 52,250	\$ 2,551,433
Jointly owned assets	14,678,406	1,158,542	-	15,836,948
Total capital assets being depreciated	\$ 16,919,071	\$ 1,521,560	\$ 52,250	\$ 18,388,381
Less accumulated depreciation for:				
Equipment	\$ (1,214,225)	\$ (199,947)	\$ (52,250)	\$ (1,361,922)
Jointly owned assets	(2,181,840)	(487,177)	-	(2,669,017)
Total accumulated depreciation	\$ (3,396,065)	\$ (687,124)	\$ (52,250)	\$ (4,030,939)
Total capital assets being depreciated, net	\$ 13,523,006	\$ 834,436	\$ -	\$ 14,357,442
Governmental capital assets , net	\$ 13,921,734	\$ 834,436	\$ -	\$ 14,756,170

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 6—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs/funds as follows:

Governmental activities:

General government	\$	81,524
Judicial administration		211,468
Public safety		305,585
Public works		72,025
Health and welfare		38,098
Education		226,777
Parks, recreation and cultural		<u>32,844</u>
Total Governmental activities	\$	<u><u>968,321</u></u>

Enterprise activities:

Hopewell Regional Wastewater Treatment Facilities	\$	2,857,465
Sewer		<u>174,778</u>
Total Enterprise activities	\$	<u><u>3,032,243</u></u>
Component Unit School Board	\$	<u><u>687,124</u></u>

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the City of Hopewell, Virginia for the year ended June 30, 2005, is that school financed assets in the amount of \$16,680,511 are reported in the Primary Government for financial reporting purposes

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 6—Capital Assets: (Continued)

A summary of proprietary fund property, plant, and equipment at June 30, 2005 follows:

Primary Government:

Hopewell Regional Wastewater Treatment Facilities Fund:

Land	\$ 97,920	\$ -	\$ -	\$ 97,920
Capital assets subject to depreciation:				
Plant in service	\$ 501,878	\$ -	\$ -	\$ 501,878
Machinery and equipment	617,390	-	-	617,390
Sewer main improvements	5,011,534	-	-	5,011,534
Total capital assets being depreciated	\$ 6,130,802	\$ -	\$ -	\$ 6,130,802
Less accumulated depreciation for:				
Plant in service	\$ (429,048)	\$ (8,067)	\$ -	\$ (437,115)
Machinery and equipment	(423,371)	(29,784)	-	(453,155)
Sewer main improvements	(2,675,608)	(136,927)	-	(2,812,535)
Total accumulated depreciation	\$ (3,528,027)	\$ (174,778)	\$ -	\$ (3,702,805)
Total capital assets being depreciated, net	\$ 2,602,775	\$ (174,778)	\$ -	\$ 2,427,997
Enterprise capital assets , net	\$ 2,700,695	\$ (174,778)	\$ -	\$ 2,525,917

Hopewell Regional Wastewater Treatment Facilities Fund:

Capital assets not subject to depreciation:				
Land	\$ 216,026	\$ -	\$ -	\$ 216,026
Capital assets subject to depreciation:				
Plant in service	\$ 8,232,571	\$ 379,228	\$ -	\$ 8,611,799
Machinery and equipment	51,692,177	185,073	-	51,877,250
Total capital assets being depreciated	\$ 59,924,748	\$ 564,301	\$ -	\$ 60,489,049
Less accumulated depreciation for:				
Plant in service	\$ (6,170,966)	\$ (320,959)	\$ -	\$ (6,491,925)
Machinery and equipment	(35,316,629)	(2,536,506)	-	(37,853,135)
Total accumulated depreciation	\$ (41,487,595)	\$ (2,857,465)	\$ -	\$ (44,345,060)
Total capital assets being depreciated, net	\$ 18,437,153	\$ (2,293,164)	\$ -	\$ 16,143,989
Enterprise capital assets , net	\$ 18,653,179	\$ (2,293,164)	\$ -	\$ 16,360,015

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 7— Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ 636,539	\$ 3,266,740
Capital Projects	1,925,630	361,539
Virginia Public Assistance	479,809	-
Recreation	1,194,301	333,000
Sewer Service	-	275,000
Total	\$ <u>4,236,279</u>	\$ <u>4,236,279</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 8—Long-Term Obligations:

Annual requirements to amortize long-term obligations and related interest are as follows:

	<u>Amounts Payable at July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2005</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Incurred by City					
Claims, judgments and compensated absences payable	\$ 744,130	\$ 737,341	\$ 585,050	\$ 896,421	\$ 551,826
General obligation bonds	11,475,000	20,000,000	1,003,000	30,472,000	930,000
Add deferred amounts:					
For issuance premium	-	648,711	129,742	518,969	-
Landfill closure liability	<u>1,605,016</u>	<u>38,520</u>	<u>-</u>	<u>1,643,536</u>	<u>60,872</u>
Total incurred by City	<u>\$ 13,824,146</u>	<u>\$ 21,424,572</u>	<u>\$ 1,717,792</u>	<u>\$ 33,530,926</u>	<u>\$ 1,542,698</u>
Incurred by School Board:					
State Literary Fund Loans payable	\$ 9,883,000	\$ -	\$ 831,000	\$ 9,052,000	\$ 831,000
General obligation bonds payable	7,082,831	-	554,320	6,528,511	566,039
Notes payable obligation	<u>1,100,000</u>	<u>-</u>	<u>-</u>	<u>1,100,000</u>	<u>1,100,000</u>
Total incurred by School Board	<u>\$ 18,065,831</u>	<u>\$ -</u>	<u>\$ 1,385,320</u>	<u>\$ 16,680,511</u>	<u>\$ 2,497,039</u>
Total Governmental Obligations	<u>\$ 31,889,977</u>	<u>\$ 21,424,572</u>	<u>\$ 3,103,112</u>	<u>\$ 50,211,437</u>	<u>\$ 4,039,737</u>
Enterprise Obligations:					
Claims, judgments and compensated absences payable	\$ 338,627	\$ 176,864	\$ 221,571	\$ 293,920	\$ 191,394
Capital lease payable	-	85,000	28,333	56,667	28,333
Revenue bonds payable	<u>13,665,000</u>	<u>-</u>	<u>360,000</u>	<u>13,305,000</u>	<u>385,000</u>
Total Enterprise Obligations	<u>\$ 14,003,627</u>	<u>\$ 261,864</u>	<u>\$ 609,904</u>	<u>\$ 13,655,587</u>	<u>\$ 604,727</u>

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (continued)

Annual requirement to amortize long-term debt and related interest are as follows:

Year Ending June 30	City Obligations	
	General Obligation Bonds Payable	
	Principal	Interest
2006	\$ 930,000	\$ 1,482,653
2007	938,000	1,443,264
2008	2,270,000	1,400,553
2009	1,065,000	1,294,896
2010	21,079,000	740,121
2011	693,000	192,217
2012	713,000	159,196
2013	584,000	115,163
2014	610,000	99,006
2015	641,000	68,432
2016	673,000	36,315
2017	276,000	13,363
Total	\$ <u>30,472,000</u>	\$ <u>7,045,179</u>

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (continued)

Year Ending June 30	School Obligations					
	State Literary Fund Loans		General Obligation Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 831,000	\$ 198,664	\$ 566,039	\$ 336,214	\$ 1,100,000	\$ 20,350
2007	831,000	178,476	578,335	304,364	-	-
2008	831,000	158,288	591,182	271,596	-	-
2009	737,700	138,100	596,024	236,314	-	-
2010	727,700	120,711	426,853	203,426	-	-
2011	649,200	103,622	433,168	179,836	-	-
2012	474,200	88,888	450,171	155,561	-	-
2013	474,200	79,404	422,898	131,675	-	-
2014	474,200	69,920	245,172	113,488	-	-
2015	474,200	60,436	251,712	100,818	-	-
2016	474,200	50,952	258,594	87,806	-	-
2017	474,200	41,468	265,836	74,433	-	-
2018	474,200	31,984	273,457	60,681	-	-
2019	375,000	22,500	281,477	46,530	-	-
2020	375,000	15,000	289,916	31,959	-	-
2021	375,000	7,500	295,762	19,982	-	-
2022	-	-	301,915	7,698	-	-
Total	\$ 9,052,000	\$ 1,365,913	\$ 6,528,511	\$ 2,362,381	\$ 1,100,000	\$ 20,350

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 8—Long-Term Obligations: (Continued)

Enterprise Obligations					
Year Ending June 30	Revenue Bonds Payable		Capital Lease Payable		
	Principal	Interest	Principal	Interest	
2006	\$ 385,000	\$ 780,898	\$ 28,333	\$ 1,513	
2007	400,000	760,108	28,334	822	
2008	425,000	737,904	-	-	
2009	450,000	713,915	-	-	
2010	475,000	687,884	-	-	
2011	505,000	659,872	-	-	
2012	525,000	629,615	-	-	
2013	555,000	597,078	-	-	
2014	600,000	562,281	-	-	
2015	630,000	525,225	-	-	
2016	670,000	486,057	-	-	
2017	710,000	444,476	-	-	
2018	755,000	400,328	-	-	
2019	795,000	353,615	-	-	
2020	845,000	304,190	-	-	
2021	900,000	251,600	-	-	
2022	955,000	195,691	-	-	
2023	620,000	147,919	-	-	
2024	660,000	108,719	-	-	
2025	700,000	67,069	-	-	
2026	745,000	22,815	-	-	
Total	\$ <u>13,305,000</u>	\$ <u>9,437,259</u>	\$ <u>56,667</u>	\$ <u>2,335</u>	

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (continued)

Details of long-term indebtedness are as follows:

General Obligations:

Incurred by City:

General Obligation Bonds:

\$5,335,000 obligation payable in various annual installments through December 15, 2011, interest payable semi-annually at 3.20% - 3.90%	\$ 3,090,000
\$4,500,000 obligation payable in various annual installments through July 15, 2015, interest payable semi-annually at 4.05% - 5.10%	3,575,000
\$13,790,000 general obligation public improvement bonds series 2004A, interest payable semi-annually through July 15, 2009 at 5%, principal balloon payment due on July 15, 2009	13,790,000
\$6,210,000 general obligation public improvement bonds series 2004B, interest payable semi-annually through July 15, 2009 at 5.25%, principal balloon payment due on July 15, 2009	6,210,000
\$1,712,000 general obligation public improvement bond, series 2002A, payable in various annual installments through May 1, 2017, interest payable semi-annually at 4.16%	1,610,000
\$1,039,000 general obligation public improvement bond, series 2002B, payable in various annual installments through May 1, 2017, interest payable semi-annually at 5.87%	983,000
\$1,214,000 obligation payable, interest payable semi-annually through July 19, 2007 at 4.93%, principal balloon payment due on July 19, 2007	1,214,000
Total General Obligation Bonds	30,472,000
Landfill closure liability	\$ 1,643,536
Compensated absences (Payable from the General Fund)	\$ 896,421
Total Incurred by City	\$ 33,011,957

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (continued)

Incurring by School Board:

State Literary Fund Loans:

\$1,865,297 State Literary Fund loan issued September 10, 1987, due in annual principal installments of \$93,300 through 2007; interest payable annually at 3%	\$ 279,900
\$3,500,000 State Literary Fund loan issued June 1, 1990 due in annual principal installments of \$175,000 through 2011; interest payable annually at 3%	1,050,000
\$1,760,000 State Literary Fund Loan issued February 13, 1990, due in annual principal installments of \$88,500 through 2010; interest payable annually at 3%	432,500
\$209,000 State Literary Fund Loan issued September 26, 1997, due in annual principal installments of \$10,450 through 2017; interest payable at 2%	135,850
\$939,000 State Literary Fund Loan issued September 26, 1997, due in annual installments of \$46,950 through 2017; interest payable annually at 2%	\$ 610,350
\$239,000 State Literary Fund Loan issued September 26, 1997, due in annual principal installments of \$11,950 through 2017; interest payable annually at 2%	155,350
\$597,000 State Literary Fund Loan issued September 26, 1997, due in annual principal installments of \$29,850 through 2017; interest payable annually at 2%	388,050
\$7,500,000 State Literary Fund Loan issued May 15, 2001, due in annual principal installments of \$375,000 through 2021; interest payable annually at 2%	6,000,000
Total State Literary Fund Loans	\$ 9,052,000

Virginia Public Authority Subsidy and Other Bonds:

\$2,727,630 Virginia Public Authority Subsidy Bonds issued in 1992, due in annual installments of varying amounts through 2012; interest payable annually at varying rates 4.90% - 6.30%	\$ 1,284,046
\$2,285,000 Virginia Public Authority Subsidy Bonds issued in 1994, due in annual installments of varying amounts through 2011; interest payable annually at varying rates 6.35% - 7.90%	665,000
\$4,862,705 Virginia Public Authority Subsidy Bonds issued in 2001, due in annual installments of varying amounts through 2021; interest payable annually at varying rates 3.10% - 5.10%	4,249,465
\$1,020,000 General Obligation Bonds issued in 1989, due in annual installments of varying amounts through 2009; interest payable annually at 6.40%	330,000
Total Virginia Public Authority and Other Bonds	\$ 6,528,511

Note Payable Obligation:

\$1,100,000 note payable obligation issued January 27, 2004, principal balloon payment due on February 15, 2006, interest at 1.85%	\$ 1,100,000
Total Incurred by School Board	\$ 16,680,511

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (continued)

Enterprise Obligations:

Revenue Bond Obligations:

\$10,660,000 revenue bond issued July 12, 1995, payable in various annual installments through October 1, 2025 interest payable semi-annually at varying rates 4.325% - 6.125%	\$ 9,100,000
\$4,640,000 revenue bond issued October 1, 2000, payable in various annual installments through October 1, 2021 interest payable semi-annually at varying rates 4.70% - 5.10%	<u>4,205,000</u>
Total revenue bond obligations	\$ <u>13,305,000</u>

Capital Lease Obligation:

\$85,000 capital lease obligation issued October 1, 2004, principal and interest payments due each June 30th through 2007, interest at 2.86%	\$ <u>56,667</u>
Compensated absences (Payable from the Enterprise Funds)	\$ <u>293,920</u>
Total enterprise obligations	\$ <u>13,655,587</u>

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 8—Long-Term Obligations: (Continued)

COMPONENT UNIT SCHOOL BOARD:

The following is a summary of long-term debt transactions of the School Board Component Unit for the year ended June 30, 2005:

	<u>Amounts Payable at July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2005</u>	<u>Amounts Due Within one year</u>
Compensated absences payable	\$ <u>622,846</u>	\$ <u>199,591</u>	\$ <u>197,541</u>	\$ <u>624,896</u>	\$ <u>198,191</u>

Details of Long-Term Indebtedness:

Compensated Absences

(Payable from the School Fund)

\$ 624,896

Note 9—Landfill Post closure Costs:

In October 1993, the City discontinued accepting solid waste at its landfill. In conjunction with the closing of the landfill, an environmental engineering firm was engaged to devise a closure plan in accordance with federal and state regulations. During fiscal year 2002, the City received a closing permit and is now responsible for maintaining the site for the next 27 years. Total estimated costs of maintaining the site for this period is \$1,643,536. The total current cost of landfill closure and post closure care is an estimate subject to change resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

Note 10—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$3,501,268 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$3,455,084 at June 30, 2005.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2005, but paid in advance by the tax payers totaled \$42,688 at June 30, 2005.

Deferred Other Tax Revenue: Deferred revenue representing uncollected other tax billings not available for funding of current expenditures totaled \$3,496 at June 30, 2005.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 11—Commitments and Contingencies:

Federal programs in which the City and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States and Local Governments and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

Note 12—Litigation:

At June 30, 2005, there were no matters of litigation involving the City or which would materially affect the City's financial position should any court decisions on pending matters not be favorable to such entities.

Note 13—Risk Management:

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City and School Board report all risk management activities in the General Fund and pay all claims for retained risks from General Fund resources. During the current year, the City purchased commercial insurance through the Virginia Municipal League for all insurable risks, including motor vehicles, for which the City was self-insured for in the fiscal year ended June 30, 2001. The City intends to fund claims, if any, when they arise from the self-insurance reserve in the General Fund.

The School Board maintains comprehensive property and casualty policies, commercial general liability policies, comprehensive liability vehicle fleet policies, coverage for errors and omissions, worker's compensation, employer's liability, healthcare and certain other risks with commercial insurance companies. All premiums are budgeted for and paid with General Fund resources. All unemployment health care claims are paid through a third-party administrator through resources from the General Fund. For all retained risks, claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. There have been no significant reductions in insurance coverage during the year and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

At June 30, 2005, the City has designated fund balance of \$3,382,826 to pay future insurance claims, if any. Changes in the reported liability since July 1, 2000 resulted from the following:

	Beginning of fiscal year liability	Current year claims and changes in estimates	Claim payments	Balance at fiscal year-end
2000 - 2001	\$ -	\$ 83,023	\$ 3,023	\$ 80,000
2001 - 2002	80,000	-	80,000	-
2002 - 2003	-	-	-	-
2003 - 2004	-	-	-	-
2004 - 2005	-	-	-	-

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 14—Defined Benefit Pension Plan:

Primary Government:

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

The City and School Board contribute to the VRS. School Board professional employees participate in a VRS Statewide teacher cost sharing pool, and the City employees and School Board nonprofessional employees participate as a separate group in the agent multiple-employer retirement system.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/pdf/2004AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their reported compensation to the VRS. This 5% member contribution has been assumed by the employer. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City and School Board non-professional employees' contribution rates (including member contribution) for the fiscal year ended 2005 were 13.5% and 13.75% of annual covered payroll, respectively.

The School Board's professional employees contributed \$2,040,767, \$1,548,818, and \$1,546,228 to the teacher cost-sharing pool for the fiscal years ended June 30, 2005, 2004, and 2003 respectively and these contributions represented 11.03%, 8.77%, and 8.77% respectively, of current covered payroll.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 14—Defined Benefit Pension Plan (Continued):

Primary Government: (continued)

C. Annual Pension Cost

For fiscal 2005, the City's annual pension cost of \$1,104,024 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

For fiscal 2005, the City School Board's annual pension cost for the Board's non-professional employees was \$129,849 which was equal to the Board's required and actual contributions. The required contributions were determined as a part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

This member contribution has been assumed by the employer.

	<u>City</u>	<u>Non-Professional School Board Employees</u>
Contribution rates:		
Employer	8.50%	8.75%
Plan Members	5%	5%
Annual pension cost	\$ 1,104,024	\$ 129,849
Contributions made	1,104,024	129,849
Valuation date	June 30, 2003	June 30, 2003
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth rate	3%	3%
Remaining amortization period	7 years	25 years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return ²	8.00%	8.00%
Projected salary increases: ²		
Non LEO Employees	4.25% to 6.10%	4.25% to 6.10%
LEO Employees	4.50% to 5.75%	4.50% to 5.75%
Cost-of-living adjustments	3.0%	3.0%

² Includes inflation at 3%

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 14—Defined Benefit Pension Plan (Continued):

Primary Government: (continued)

C. Annual Pension Cost (continued)

<u>Fiscal Year Ending</u>		<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>		<u>Net Pension Obligation</u>
City:					
June 30, 2005	\$	1,104,024	100%	\$	-
June 30, 2004		630,997	100%		-
June 30, 2003		639,470	100%		-
School Board:					
Non-Professional:					
June 30, 2005	\$	129,849	100%	\$	-
June 30, 2004		93,121	100%		-
June 30, 2003		92,592	100%		-

(1) Employer portion only

Note 15—Surety Bonds:

The following Surety bonds are maintained by the City:

	<u>Amount</u>
Fidelity and Deposit Company of Maryland - Surety	
Faithful Performance of Duty Schedule Position Bond:	
Commonwealth Funds	
Kay H. Rackley, Clerk of the Circuit Court	\$ 1,075,000
Teresa L. Batton, Treasurer and/or Elesteen Hager, Director of Finance	500,000
Debra A. Reason, Commissioner of the Revenue	3,000
Paula N. Wyatt, Sheriff	30,000
The above constitutional officers and subordinate employees - blanket bond	50,000
Utica Mutual Insurance Company - Surety	
Winston Ogden Odom, Superintendent of Schools	10,000
Samuel Ray Watson, Clerk of School Board	10,000
Christine W. Teasley, Deputy Clerk of School Board	10,000

Note 16—Other Post-Employment Benefits:

Pursuant to City personnel policies, the City provides health insurance benefits for persons who retire from City employment and meet certain other criteria. In fiscal 2005, 88 persons were enrolled in the program and the cost to the City was \$578,301.

CITY OF HOPEWELL, VIRGINIA

Notes to Financial Statements
As of June 30, 2005 (Continued)

Note 17-Adjustment to Beginning Net Assets:

The following adjustment was made to beginning net assets:

	Activities	Business Type Activities	
		Hopewell Regional Wastewater Treatment Facilities	Sewer Service
Net assets as previously reported	\$ 25,773,879	\$ 15,748,193	\$ 13,145,469
Adjustment to correct prior year capital asset balances as follows:			
Utility plant in service	-	(14,801)	(14,759)
Buildings	62,319	-	-
Machinery and Equipment	(3,163,849)	(414,311)	(236,478)
Sewer main improvements	-	-	(87,958)
Accumulated depreciation for Buildings	445,593	-	-
Accumulated depreciation for Machinery and Equipment	(326,952)	(3,974,297)	(328,922)
Accumulated depreciation for plant in service	-	(1,539,225)	(287,164)
Accumulated depreciation for sewer main improvements	-	-	913,689
Totals as adjusted	\$ 22,790,990	\$ 9,805,559	\$ 13,103,877

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

***Presented budgets were prepared in accordance with
accounting principles generally accepted in the
United States of America.***

COMBINING AND INDIVIDUAL FUNDS STATEMENTS AND SCHEDULES

City of Hopewell, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 22,908,601	\$ 22,908,601	\$ 21,098,729	\$ (1,809,872)
Other local taxes	5,471,000	5,471,000	5,586,169	115,169
Permits, privilege fees, and regulatory licenses	65,000	65,000	93,462	28,462
Fines and forfeitures	77,000	77,000	79,376	2,376
Revenue from the use of money and property	242,512	248,012	244,474	(3,538)
Charges for services	99,060	261,060	250,311	(10,749)
Miscellaneous	113,684	152,190	(117,292)	(269,482)
Intergovernmental revenues:				
Commonwealth	5,001,176	5,086,813	6,862,609	1,775,796
Federal	121,730	284,750	382,329	97,579
Total revenues	<u>\$ 34,099,763</u>	<u>\$ 34,554,426</u>	<u>\$ 34,480,167</u>	<u>\$ (74,259)</u>
EXPENDITURES				
Current:				
General government administration	\$ 2,804,889	\$ 3,019,290	\$ 2,725,084	\$ 294,206
Judicial administration	1,416,309	1,506,586	1,331,479	175,107
Public safety	9,785,034	10,771,785	10,307,147	464,638
Public works	3,492,325	3,702,202	3,334,223	367,979
Health and welfare	993,447	1,074,987	1,148,666	(73,679)
Education	8,101,434	8,101,434	8,111,377	(9,943)
Parks, recreation, and cultural	472,585	482,279	482,279	-
Community development	1,026,867	1,240,636	937,988	302,648
Nondepartmental	1,623,358	1,087,666	864,169	223,497
Debt service:				
Principal retirement	1,385,320	1,385,320	1,385,320	-
Interest and other fiscal charges	616,494	616,494	606,551	9,943
Total expenditures	<u>\$ 31,718,062</u>	<u>\$ 32,988,679</u>	<u>\$ 31,234,283</u>	<u>\$ 1,754,396</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,381,701</u>	<u>\$ 1,565,747</u>	<u>\$ 3,245,884</u>	<u>\$ 1,680,137</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 758,288	\$ 714,788	\$ 636,539	\$ (78,249)
Transfers out	(3,266,740)	(3,266,740)	(3,266,740)	-
Total other financing sources and uses	<u>\$ (2,508,452)</u>	<u>\$ (2,551,952)</u>	<u>\$ (2,630,201)</u>	<u>\$ (78,249)</u>
Net change in fund balances	\$ (126,751)	\$ (986,205)	\$ 615,683	\$ 1,601,888
Fund balances - beginning	126,751	986,205	9,261,276	8,275,071
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,876,959</u>	<u>\$ 9,876,959</u>

City of Hopewell, Virginia
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Intergovernmental revenues:				
Commonwealth	\$ 1,218,211	\$ 1,193,270	\$ 1,106,684	\$ (86,586)
Federal	2,519,056	2,547,557	2,499,685	(47,872)
Total revenues	<u>\$ 3,737,267</u>	<u>\$ 3,740,827</u>	<u>\$ 3,606,369</u>	<u>\$ (134,458)</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 4,217,076	\$ 4,220,636	\$ 4,070,241	\$ 150,395
Total expenditures	<u>\$ 4,217,076</u>	<u>\$ 4,220,636</u>	<u>\$ 4,070,241</u>	<u>\$ 150,395</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (479,809)</u>	<u>\$ (479,809)</u>	<u>\$ (463,872)</u>	<u>\$ 15,937</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 479,809	\$ 479,809	\$ 479,809	\$ -
Total other financing sources and uses	<u>\$ 479,809</u>	<u>\$ 479,809</u>	<u>\$ 479,809</u>	<u>\$ -</u>
Net change in fund balances	\$ -	\$ -	\$ 15,937	\$ 15,937
Fund balances - beginning	-	-	(16,428)	(16,428)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (491)</u>	<u>\$ (491)</u>

City of Hopewell, Virginia
Schedule of Pension Funding Progress
For the Year Ended June 30, 2005

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) (3)	Annual Covered Payroll	UAAL as % of Payroll (4) (6)
Primary Government:						
City Retirement Plan:						
6/30/2004	\$ 55,148,704	\$ 59,368,261	\$ 4,219,557	92.9%	\$ 12,385,659	34.1%
6/30/2003	54,702,642	55,989,663	1,287,021	97.7%	12,687,512	10.1%
6/30/2002	54,668,531	53,114,303	(1,554,228)	102.9%	12,792,556	-12.1%
6/30/2001	52,875,793	49,747,009	(3,128,784)	106.3%	12,251,270	-25.5%
6/30/2000	47,984,520	45,594,272	(2,390,248)	105.2%	11,526,891	-20.7%
6/30/1999	41,346,952	43,632,480	2,285,528	94.8%	11,192,061	20.4%
6/30/1998	35,673,580	38,372,259	2,698,679	93.0%	10,842,436	24.9%
Discretely Presented Component Unit:						
School Board Non-Professionals Retirement Plan:						
6/30/2004	\$ 4,593,982	\$ 5,380,165	\$ 786,183	85.4%	\$ 1,456,175	54.0%
6/30/2003	4,593,503	5,210,111	616,608	88.2%	1,431,394	43.1%
6/30/2002	4,645,651	4,958,376	312,725	93.7%	1,424,368	22.0%
6/30/2001	4,555,060	4,633,682	78,622	98.3%	1,349,696	5.8%
6/30/2000	4,168,669	4,217,943	49,274	98.8%	1,202,495	4.1%
6/30/1999	3,650,932	4,294,395	643,463	85.0%	1,209,508	53.2%
6/30/1998	3,201,669	4,371,182	1,169,513	73.2%	1,198,958	97.5%

OTHER SUPPLEMENTARY INFORMATION

City of Hopewell, Virginia
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Other local taxes	\$ 1,392,540	\$ 1,392,540	\$ 1,346,364	\$ (46,176)
Revenue from the use of money and property	290,000	307,070	666,447	359,377
Miscellaneous	142,070	125,000	124,931	(69)
Total revenues	<u>\$ 1,824,610</u>	<u>\$ 1,824,610</u>	<u>\$ 2,137,742</u>	<u>\$ 313,132</u>
EXPENDITURES				
Current:				
Education	\$ 1,452,903	\$ 1,452,903	\$ 1,452,903	\$ -
Capital projects	842,630	16,117,802	1,511,459	14,606,343
Debt service:				
Principal retirement	1,003,000	1,003,000	1,003,000	-
Interest and other fiscal charges	500,000	1,131,666	1,287,440	(155,774)
Total expenditures	<u>\$ 3,798,533</u>	<u>\$ 19,705,371</u>	<u>\$ 5,254,802</u>	<u>\$ 14,450,569</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,973,923)</u>	<u>\$ (17,880,761)</u>	<u>\$ (3,117,060)</u>	<u>\$ 14,763,701</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,592,630	\$ 1,938,130	\$ 1,925,630	\$ (12,500)
Transfers out	(361,539)	(361,539)	(361,539)	-
Debt issuance	-	13,100,000	20,000,000	6,900,000
Debt issuance premium	-	-	648,711	648,711
Total other financing sources and uses	<u>\$ 1,231,091</u>	<u>\$ 14,676,591</u>	<u>\$ 22,212,802</u>	<u>\$ 7,536,211</u>
Net change in fund balances	<u>\$ (742,832)</u>	<u>\$ (3,204,170)</u>	<u>\$ 19,095,742</u>	<u>\$ 22,299,912</u>
Fund balances - beginning	742,832	3,204,170	14,560,584	11,356,414
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,656,326</u>	<u>\$ 33,656,326</u>

City of Hopewell, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2005

	<u>Recreation Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Anti-Litter Fund</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 780,220	\$ 28,943	\$ 7,284	\$ 816,447
Receivables (net of allowance for uncollectibles):				
Accounts receivable	462	17	7	486
Due from other governmental units	-	23,418	-	23,418
Total assets	<u>\$ 780,682</u>	<u>\$ 52,378</u>	<u>\$ 7,291</u>	<u>\$ 840,351</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 66,182	\$ 49,378	\$ -	\$ 115,560
Accrued liabilities	119,518	3,782	-	123,300
Total liabilities	<u>\$ 185,700</u>	<u>\$ 53,160</u>	<u>\$ -</u>	<u>\$ 238,860</u>
Fund balances:				
Reserved for:				
Encumbrances	\$ 97,649	\$ 320	\$ -	\$ 97,969
Unreserved:				
Designated for subsequent expenditure	35,000	-	-	35,000
Undesignated	462,333	(1,102)	7,291	468,522
Total fund balances	<u>594,982</u>	<u>(782)</u>	<u>7,291</u>	<u>601,491</u>
Total liabilities and fund balances	<u>\$ 780,682</u>	<u>\$ 52,378</u>	<u>\$ 7,291</u>	<u>\$ 840,351</u>

City of Hopewell, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2005

	<u>Recreation Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Anti-Litter Fund</u>	<u>Total</u>
REVENUES				
Revenue from the use of money and property	\$ 81,355	\$ 90	\$ 118	\$ 81,563
Charges for services	103,291	-	-	103,291
Miscellaneous	135,913	-	-	135,913
Intergovernmental revenues:				
Commonwealth	-	-	4,375	4,375
Federal	41,200	369,808	-	411,008
Total revenues	<u>\$ 361,759</u>	<u>\$ 369,898</u>	<u>\$ 4,493</u>	<u>\$ 736,150</u>
EXPENDITURES				
Current:				
Public works	\$ -	\$ -	\$ 5,158	\$ 5,158
Parks, recreation, and cultural	1,734,156	-	-	1,734,156
Community development	-	370,684	-	370,684
Total expenditures	<u>\$ 1,734,156</u>	<u>\$ 370,684</u>	<u>\$ 5,158</u>	<u>\$ 2,109,998</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,372,397)</u>	<u>\$ (786)</u>	<u>\$ (665)</u>	<u>\$ (1,373,848)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,194,301	\$ -	\$ -	\$ 1,194,301
Transfers out	(333,000)	-	-	(333,000)
Total other financing sources and uses	<u>\$ 861,301</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 861,301</u>
Net change in fund balances	\$ (511,096)	\$ (786)	\$ (665)	\$ (512,547)
Fund balances - beginning	1,106,078	4	7,956	1,114,038
Fund balances - ending	<u>\$ 594,982</u>	<u>\$ (782)</u>	<u>\$ 7,291</u>	<u>\$ 601,491</u>

City of Hopewell, Virginia
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2005

	Recreation Fund				Community Development Block Grant Fund				Anti-Litter Fund			
	Budgeted Amounts		Actual		Budgeted Amounts		Actual		Budgeted Amounts		Actual	
	Original	Final			Original	Final			Original	Final		
REVENUES												
Revenue from the use of money and property	\$ 63,600	\$ 63,600	\$ 81,355	\$ 17,755	\$ -	\$ -	\$ 90	\$ 90	\$ -	\$ -	\$ 118	\$ 118
Charges for services	171,788	174,388	103,291	(71,097)	-	-	-	-	-	-	-	-
Miscellaneous	104,603	107,803	135,913	28,110	-	-	-	-	-	-	-	-
Intergovernmental revenues:												
Commonwealth	-	-	-	-	-	-	-	-	-	-	2,500	1,875
Federal	-	-	41,200	41,200	255,725	255,725	369,808	114,083	-	-	-	-
Total revenues	\$ 339,991	\$ 345,791	\$ 361,759	\$ 15,968	\$ 255,725	\$ 255,725	\$ 369,898	\$ 114,173	\$ -	\$ 2,500	\$ 4,493	\$ 1,993
EXPENDITURES												
Current:												
Public works	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,158	\$ (2,658)
Parks, recreation, and cultural	1,620,649	1,951,622	1,734,156	217,466	-	-	-	-	-	-	-	-
Community development	-	-	-	-	255,725	594,478	370,684	223,794	-	-	-	-
Total expenditures	\$ 1,620,649	\$ 1,951,622	\$ 1,734,156	\$ 217,466	\$ 255,725	\$ 594,478	\$ 370,684	\$ 223,794	\$ -	\$ 2,500	\$ 5,158	\$ (2,658)
Excess (deficiency) of revenues over (under) expenditures	\$ (1,280,658)	\$ (1,605,831)	\$ (1,372,397)	\$ 233,434	\$ -	\$ (338,753)	\$ (786)	\$ 337,967	\$ -	\$ -	\$ (665)	\$ (665)
OTHER FINANCING SOURCES (USES)												
Transfers in	\$ 1,194,301	\$ 1,194,301	\$ 1,194,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers out	-	(333,000)	(333,000)	-	-	-	-	-	-	-	-	-
Total other financing sources and uses	\$ 1,194,301	\$ 861,301	\$ 861,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ (86,357)	\$ (744,530)	\$ (511,096)	\$ 233,434	\$ -	\$ (338,753)	\$ (786)	\$ 337,967	\$ -	\$ -	\$ (665)	\$ (665)
Fund balances - beginning	86,357	744,530	1,106,078	361,548	-	338,753	4	(338,749)	-	-	7,956	7,956
Fund balances - ending	\$ -	\$ -	\$ 594,982	\$ 594,982	\$ -	\$ -	\$ (782)	\$ (782)	\$ -	\$ -	\$ 7,291	\$ 7,291

City of Hopewell, Virginia
Fiduciary Funds
Schedule of Changes in Fiduciary Net Assets
For the year ended June 30, 2004

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash	\$ 37,734	\$ 68,074	\$ 72,591	\$ 33,217
Accounts receivable	15	0	8	7
Total assets	<u>\$ 37,749</u>	<u>\$ 68,074</u>	<u>\$ 72,599</u>	<u>\$ 33,224</u>
Liabilities:				
Amounts held for social services clients	<u>\$ 37,749</u>	<u>\$ 68,074</u>	<u>\$ 72,599</u>	<u>\$ 33,224</u>

City of Hopewell, Virginia
Capital Assets Used in the Operation of Governmental Funds
Schedule of Capital Assets by Source
June 30, 2005

Governmental funds capital assets:

Land	\$ 2,562,752
Buildings	14,748,138
Machinery and equipment	5,648,436
Jointly owned assets	20,061,496
Construction in progress	659,442
Total governmental funds capital assets	<u>\$ 43,680,264</u>

Investments in governmental funds capital assets by source:

Capital projects fund	\$ 23,618,768
Component unit, school fund	20,061,496
Total governmental funds capital assets	<u>\$ 43,680,264</u>

City of Hopewell, Virginia
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2005

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Construction in Progress</u>	<u>Machinery and Equipment</u>	<u>Total</u>
General government administration:					
General administration	\$ 2,562,752	\$ 4,561,197	\$ -	\$ 76,422	\$ 7,200,371
Judicial administration	-	6,344,038	-	16,922	6,360,960
Total general government	\$ 2,562,752	\$ 10,905,235	\$ -	\$ 93,344	\$ 13,561,331
Public safety:					
Police protection	\$ -	\$ -	\$ -	\$ 1,259,872	\$ 1,259,872
Fire protection	-	64,400	-	1,434,409	1,498,809
Emergency and safety services	-	120,200	-	738,815	859,015
Animal control	-	75,400	-	-	75,400
Total public safety	\$ -	\$ 260,000	\$ -	\$ 3,433,096	\$ 3,693,096
Public works:					
Engineering	\$ -	\$ -	\$ -	\$ 1,474,670	\$ 1,474,670
Total public works	\$ -	\$ -	\$ -	\$ 1,474,670	\$ 1,474,670
Education:					
Schools	\$ -	\$ 20,061,496	\$ -	\$ -	\$ 20,061,496
Total education	\$ -	\$ 20,061,496	\$ -	\$ -	\$ 20,061,496
Health and welfare:					
Health department	\$ -	\$ 408,100	\$ -	\$ -	\$ 408,100
Social services	-	319,700	-	325,596	645,296
Total health and welfare	\$ -	\$ 727,800	\$ -	\$ 325,596	\$ 1,053,396
Parks, recreation, and cultural:					
Recreation	\$ -	\$ 445,003	\$ -	\$ 306,744	\$ 751,747
Library	-	-	659,442	-	659,442
Total parks, recreation, and cultural	\$ -	\$ 445,003	\$ 659,442	\$ 306,744	\$ 1,411,189
Community development:					
Community development	\$ -	\$ 2,410,100	\$ -	\$ 14,986	\$ 2,425,086
Total community development	\$ -	\$ 2,410,100	\$ -	\$ 14,986	\$ 2,425,086
Total governmental funds capital assets	\$ 2,562,752	\$ 34,809,634	\$ 659,442	\$ 5,648,436	\$ 43,680,264

City of Hopewell, Virginia
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Year Ended June 30, 2005

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2005</u>
General government administration:				
General administration	\$ 7,121,121	\$ 79,250	\$ -	\$ 7,200,371
Judicial administration	6,360,960	-	-	6,360,960
Total general government	<u>\$ 13,482,081</u>	<u>\$ 79,250</u>	<u>\$ -</u>	<u>\$ 13,561,331</u>
Public safety:				
Police protection	\$ 1,079,221	\$ 180,651	\$ -	\$ 1,259,872
Fire protection	1,498,809	-	-	1,498,809
Emergency and safety services	596,862	262,153	-	859,015
Animal control	75,400	-	-	75,400
Total public safety	<u>\$ 3,250,292</u>	<u>\$ 442,804</u>	<u>\$ -</u>	<u>\$ 3,693,096</u>
Public works:				
Engineering	\$ 1,421,970	\$ 52,700	\$ -	\$ 1,474,670
Total public works	<u>\$ 1,421,970</u>	<u>\$ 52,700</u>	<u>\$ -</u>	<u>\$ 1,474,670</u>
Education:				
Schools jointly owned assets	\$ 21,220,038	\$ -	\$ 1,158,542	\$ 20,061,496
Total education	<u>\$ 21,220,038</u>	<u>\$ -</u>	<u>\$ 1,158,542</u>	<u>\$ 20,061,496</u>
Health and welfare:				
Health department	\$ 408,100	\$ -	\$ -	\$ 408,100
Social services	619,520	25,776	-	645,296
Total health and welfare	<u>\$ 1,027,620</u>	<u>\$ 25,776</u>	<u>\$ -</u>	<u>\$ 1,053,396</u>
Parks, recreation, and cultural:				
Recreation	\$ 710,166	\$ 41,581	\$ -	\$ 751,747
Library	-	659,442	-	659,442
Total parks, recreation, and cultural	<u>\$ 710,166</u>	<u>\$ 701,023</u>	<u>\$ -</u>	<u>\$ 1,411,189</u>
Community development:				
Community development	\$ 2,425,086	\$ -	\$ -	\$ 2,425,086
Total community development	<u>\$ 2,425,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,425,086</u>
Total governmental funds capital assets	<u>\$ 43,537,253</u>	<u>\$ 1,301,553</u>	<u>\$ 1,158,542</u>	<u>\$ 43,680,264</u>

***DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD***

City of Hopewell, Virginia
Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2005

	<u>School Operating Fund</u>	<u>Building and Bus Replacement Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,399,041	\$ 1,177,566	\$ 871,360	\$ 4,447,967
Receivables (net of allowance for uncollectibles):				
Accounts receivable	73,125	-	-	73,125
Due from other funds	-	286,227	-	286,227
Due from other governmental units	1,528,949	-	62,355	1,591,304
Inventories	-	-	30,102	30,102
Total assets	<u>\$ 4,001,115</u>	<u>\$ 1,463,793</u>	<u>\$ 963,817</u>	<u>\$ 6,428,725</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 99,219	\$ 163,012	\$ 18,120	\$ 280,351
Accrued liabilities	3,467,179	-	75,601	3,542,780
Due to other funds	286,227	-	-	286,227
Deferred revenue	92,275	-	16,610	108,885
Total liabilities	<u>\$ 3,944,900</u>	<u>\$ 163,012</u>	<u>\$ 110,331</u>	<u>\$ 4,218,243</u>
Fund balances:				
Reserved for:				
Inventories	\$ -	\$ -	\$ 30,102	\$ 30,102
Encumbrances	56,215	-	298,656	354,871
Unreserved:				
Undesignated	-	1,300,781	524,728	1,825,509
Total fund balances	<u>\$ 56,215</u>	<u>\$ 1,300,781</u>	<u>\$ 853,486</u>	<u>\$ 2,210,482</u>
Total liabilities and fund balances	<u>\$ 4,001,115</u>	<u>\$ 1,463,793</u>	<u>\$ 963,817</u>	<u>\$ 6,428,725</u>

Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:

Total fund balances per above	\$ 2,210,482
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,756,170
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	108,885
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(426,705)
Net assets of governmental activities	<u>\$ 16,648,832</u>

City of Hopewell, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2005

	School Operating Fund	Building and Bus Projects Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Revenue from the use of money and property	\$ 15,196	\$ 10,151	\$ 7,349	\$ 32,696
Charges for services	177,977	-	589,963	767,940
Miscellaneous	31,182	-	1,911	33,093
Recovered costs	73,903	-	-	73,903
Intergovernmental revenues:				
Local government	9,555,610	-	-	9,555,610
Commonwealth	20,491,573	162,012	207,855	20,861,440
Federal	4,189,177	-	1,178,478	5,367,655
Total revenues	<u>\$ 34,534,618</u>	<u>\$ 172,163</u>	<u>\$ 1,985,556</u>	<u>\$ 36,692,337</u>
EXPENDITURES				
Current:				
Education	\$ 34,266,763	\$ -	\$ 1,834,877	\$ 36,101,640
Capital projects	-	705,717	-	705,717
Total expenditures	<u>\$ 34,266,763</u>	<u>\$ 705,717</u>	<u>\$ 1,834,877</u>	<u>\$ 36,807,357</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 267,855</u>	<u>\$ (533,554)</u>	<u>\$ 150,679</u>	<u>\$ (115,020)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 434,472	\$ 662,628	\$ 56,568	\$ 1,153,668
Transfers out	(719,196)	(434,472)	-	(1,153,668)
Total other financing sources and uses	<u>\$ (284,724)</u>	<u>\$ 228,156</u>	<u>\$ 56,568</u>	<u>\$ -</u>
Net change in fund balances	\$ (16,869)	(305,398)	\$ 207,247	\$ (115,020)
Fund balances - beginning	73,084	1,606,179	646,239	2,325,502
Fund balances - ending	<u>\$ 56,215</u>	<u>\$ 1,300,781</u>	<u>\$ 853,486</u>	<u>\$ 2,210,482</u>

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds - per above	\$ (115,020)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	834,436
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	86,269
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	(1,400)
Change in net assets of governmental activities	<u>\$ 804,285</u>

City of Hopewell, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2005

	School Operating Fund				Building and Bus Replacement Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Revenue from the use of money and property	\$ 25,000	\$ 25,000	\$ 15,196	\$ (9,804)	\$ -	\$ -	\$ 10,151	\$ 10,151
Charges for services	281,730	231,730	177,977	(53,753)	-	-	-	-
Miscellaneous	58,050	128,070	31,182	(96,888)	-	-	-	-
Recovered costs	-	-	73,903	73,903	-	-	-	-
Intergovernmental revenues:								
Local government	9,545,667	9,545,667	9,555,610	9,943	-	-	-	-
Commonwealth	20,596,148	20,678,495	20,491,573	(186,922)	161,901	161,901	162,012	111
Federal	4,044,704	4,958,907	4,189,177	(769,730)	-	-	-	-
Total revenues	\$ 34,551,299	\$ 35,567,869	\$ 34,534,618	\$ (1,033,251)	\$ 161,901	\$ 161,901	\$ 172,163	\$ 10,262
EXPENDITURES								
Current:								
Education	\$ 34,562,746	\$ 35,652,401	\$ 34,266,763	\$ 1,385,638	\$ -	\$ -	\$ -	\$ -
Capital projects	-	-	-	-	75,000	1,403,450	705,717	697,733
Total expenditures	\$ 34,562,746	\$ 35,652,401	\$ 34,266,763	\$ 1,385,638	\$ 75,000	\$ 1,403,450	\$ 705,717	\$ 697,733
Excess (deficiency) of revenues over (under) expenditures	\$ (11,447)	\$ (84,532)	\$ 267,855	\$ 352,387	\$ 86,901	\$ (1,241,549)	\$ (533,554)	\$ 707,995
OTHER FINANCING SOURCES (USES)								
Transfers in	\$ 444,416	\$ 444,416	\$ 434,472	\$ (9,944)	\$ 376,401	\$ 376,401	\$ 662,628	\$ 286,227
Transfers out	(432,969)	(432,969)	(719,196)	(286,227)	(444,416)	(444,416)	(434,472)	9,944
Total other financing sources and uses	\$ 11,447	\$ 11,447	\$ (284,724)	\$ (296,171)	\$ (68,015)	\$ (68,015)	\$ 228,156	\$ 296,171
Net change in fund balances	\$ -	\$ (73,085)	\$ (16,869)	\$ 56,216	\$ 18,886	\$ (1,309,564)	\$ (305,398)	\$ 1,004,166
Fund balances - beginning	-	73,085	73,084	(1)	1,199,191	1,227,641	1,606,179	378,538
Fund balances - ending	\$ -	\$ -	\$ 56,215	\$ 56,215	\$ 1,218,077	\$ (81,923)	\$ 1,300,781	\$ 1,382,704

City of Hopewell, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
June 30, 2005

	School Cafeteria Fund	Textbook Fund	Total
ASSETS			
Cash and cash equivalents	\$ 538,563	\$ 332,797	\$ 871,360
Due from other governmental units	62,355	-	62,355
Inventories	30,102	-	30,102
Total assets	<u>\$ 631,020</u>	<u>\$ 332,797</u>	<u>\$ 963,817</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 18,120	\$ -	\$ 18,120
Accrued liabilities	75,601	-	75,601
Deferred revenue	16,610	-	16,610
Total liabilities	<u>\$ 110,331</u>	<u>\$ -</u>	<u>\$ 110,331</u>
Fund balances:			
Reserved for:			
Inventories	\$ 30,102	\$ -	\$ 30,102
Encumbrances	-	298,656	298,656
Unreserved:			
Undesignated	490,587	34,141	524,728
Total fund balances	<u>\$ 520,689</u>	<u>\$ 332,797</u>	<u>\$ 853,486</u>
Total liabilities and fund balances	<u>\$ 631,020</u>	<u>\$ 332,797</u>	<u>\$ 963,817</u>

City of Hopewell, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2005

	School Cafeteria Fund	Textbook Fund	Total
REVENUES			
Revenue from the use of money and property	\$ 5,012	\$ 2,337	\$ 7,349
Charges for services	589,963	-	589,963
Miscellaneous	-	1,911	1,911
Intergovernmental revenues:			
Commonwealth	23,330	184,525	207,855
Federal	1,178,478	-	1,178,478
Total revenues	<u>\$ 1,796,783</u>	<u>\$ 188,773</u>	<u>\$ 1,985,556</u>
EXPENDITURES			
Current:			
Education	\$ 1,674,800	\$ 160,077	\$ 1,834,877
Total expenditures	<u>\$ 1,674,800</u>	<u>\$ 160,077</u>	<u>\$ 1,834,877</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 121,983</u>	<u>\$ 28,696</u>	<u>\$ 150,679</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 56,568	\$ 56,568
Total other financing sources and uses	<u>\$ -</u>	<u>\$ 56,568</u>	<u>\$ 56,568</u>
Net change in fund balances	\$ 121,983	\$ 85,264	\$ 207,247
Fund balances - beginning	398,706	247,533	646,239
Fund balances - ending	<u>\$ 520,689</u>	<u>\$ 332,797</u>	<u>\$ 853,486</u>

City of Hopewell, Virginia
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2005

	School Cafeteria Fund			Textbook Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		Original	Final		
REVENUES							
Revenue from the use of money and property	\$ 5,300	\$ 5,300	\$ 5,012	\$ (288)	\$ 8,000	\$ 2,337	\$ (5,663)
Charges for services	585,000	585,000	589,963	4,963	-	-	-
Miscellaneous	-	-	-	-	-	1,911	1,911
Intergovernmental revenues:							
Commonwealth	24,745	24,745	23,330	(1,415)	184,866	184,525	(341)
Federal	873,000	905,000	1,178,478	273,478	-	-	-
Total revenues	1,488,045	1,520,045	1,796,783	276,738	192,866	188,773	(4,093)
EXPENDITURES							
Current:							
Education	\$ 1,703,842	\$ 1,810,045	\$ 1,674,800	\$ 135,245	\$ 566,258	\$ 160,077	\$ 406,181
Total expenditures	\$ 1,703,842	\$ 1,810,045	\$ 1,674,800	\$ 135,245	\$ 566,258	\$ 160,077	\$ 406,181
Excess (deficiency) of revenues over (under) expenditures	\$ (215,797)	\$ (290,000)	\$ 121,983	\$ 411,983	\$ (373,392)	\$ 28,696	\$ 402,088
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 56,568	\$ 56,568	\$ -
Total other financing sources and uses	\$ -	\$ -	\$ -	\$ -	\$ 56,568	\$ 56,568	\$ -
Net change in fund balances	\$ (215,797)	\$ (290,000)	\$ 121,983	\$ 411,983	\$ (316,824)	\$ 85,264	\$ 402,088
Fund balances - beginning	290,000	290,000	398,706	108,706	316,824	247,533	(69,291)
Fund balances - ending	\$ 74,203	\$ -	\$ 520,689	\$ 520,689	\$ -	\$ 332,797	\$ 332,797

City of Hopewell, Virginia
Capital Assets Used in the Operation of Governmental Funds - Discretely Presented Component Unit - School Board
Schedule of Capital Assets by Source
June 30, 2005

Governmental funds capital assets:

Land	\$ 398,728
Machinery and equipment	2,551,433
Jointly owned assets	15,836,948
Total governmental funds capital assets	<u>\$ 18,787,109</u>

Investments in governmental funds capital assets by source:

Component unit, school fund	\$ 18,787,109
Total governmental funds capital assets	<u>\$ 18,787,109</u>

City of Hopewell, Virginia
Capital Assets Used in the Operation of Governmental Funds - Discretely Presented Component Unit - School Board
Schedule by Function and Activity
June 30, 2005

<u>Function and Activity</u>	<u>Land</u>	<u>Jointly Owned Assets</u>	<u>Machinery and Equipment</u>	<u>Total</u>
Education:				
Schools	\$ 398,728	\$ 15,836,948	\$ 2,551,433	\$ 18,787,109
Total governmental funds capital assets	<u>\$ 398,728</u>	<u>\$ 15,836,948</u>	<u>\$ 2,551,433</u>	<u>\$ 18,787,109</u>

City of Hopewell, Virginia
 Capital Assets Used in the Operation of Governmental Funds - Discretely Presented Component Unit - School Board
 Schedule of Changes By Function and Activity
 For the Year Ended June 30, 2005

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2005</u>
Education:				
Schools	\$ 17,317,799	\$ 1,521,560	\$ (52,250)	\$ 18,787,109
Total governmental funds capital assets	<u>\$ 17,317,799</u>	<u>\$ 1,521,560</u>	<u>\$ (52,250)</u>	<u>\$ 18,787,109</u>

***DISCRETELY PRESENTED COMPONENT UNIT
COMPREHENSIVE SERVICES ACT BOARD***

City of Hopewell, Virginia
Balance Sheet
Discretely Presented Component Unit - Comprehensive Services Act Board
June 30, 2005

ASSETS

Cash and cash equivalents	\$ 370
Due from other governmental units	462,808
Total assets	<u>\$ 463,178</u>

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable	\$ 302,549
Due to other governmental units	158,340
Total liabilities	<u>\$ 460,889</u>

Fund balances:

Unreserved:

Undesignated	\$ 2,289
Total fund balances	<u>\$ 2,289</u>
Total liabilities and fund balances	<u>\$ 463,178</u>

The notes to the financial statements are an integral part of this statement.

City of Hopewell, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Discretely Presented Component Unit - Comprehensive Services Act Board
For the Year Ended June 30, 2005

REVENUES

Miscellaneous	\$ 55,518
Intergovernmental revenues:	
Local government	723,484
Commonwealth	1,463,193
Total revenues	<u>\$ 2,242,195</u>

EXPENDITURES

Current:	
Health and welfare	\$ 2,239,906
Total expenditures	<u>\$ 2,239,906</u>

Excess (deficiency) of revenues over (under) expenditures	<u>\$ 2,289</u>
---	-----------------

Net change in fund balances	\$ 2,289
Fund balances - beginning	-
Fund balances - ending	<u><u>\$ 2,289</u></u>

The notes to the financial statements are an integral part of this statement.

SUPPORTING SCHEDULES

City of Hopewell, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 10,365,152	\$ 10,365,152	\$ 10,768,794	\$ 403,642
Real and personal public service corporation taxes	4,595,075	4,595,075	4,337,756	(257,319)
Personal property taxes	3,706,485	3,706,485	2,255,350	(1,451,135)
Machinery and tools taxes	3,991,889	3,991,889	3,047,620	(944,269)
Penalties	250,000	250,000	402,671	152,671
Interest	-	-	286,538	286,538
Total general property taxes	\$ 22,908,601	\$ 22,908,601	\$ 21,098,729	\$ (1,809,872)
Other local taxes:				
Local sales and use taxes	\$ 1,675,000	\$ 1,675,000	\$ 1,710,007	\$ 35,007
Consumers' utility taxes	1,300,000	1,300,000	1,138,794	(161,206)
Electric and natural gas consumption taxes	-	-	186,569	186,569
E-911 telephone taxes	290,000	290,000	260,762	(29,238)
E-911 wireless telephone taxes	130,000	130,000	91,813	(38,187)
Business license taxes	1,325,000	1,325,000	1,411,667	86,667
Cable TV franchise tax	125,000	125,000	135,119	10,119
Motor vehicle licenses	386,000	386,000	392,283	6,283
Bank stock taxes	125,000	125,000	93,374	(31,626)
Taxes on recordation and wills	115,000	115,000	165,781	50,781
Total other local taxes	\$ 5,471,000	\$ 5,471,000	\$ 5,586,169	\$ 115,169
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 5,000	\$ 5,000	\$ 2,024	\$ (2,976)
Permits and other licenses	60,000	60,000	91,438	31,438
Total permits, privilege fees, and regulatory licenses	\$ 65,000	\$ 65,000	\$ 93,462	\$ 28,462
Fines and forfeitures:				
Court fines and forfeitures	\$ 77,000	\$ 77,000	\$ 79,376	\$ 2,376
Total fines and forfeitures	\$ 77,000	\$ 77,000	\$ 79,376	\$ 2,376
Revenue from use of money and property:				
Revenue from use of money	\$ 182,512	\$ 188,012	\$ 193,528	\$ 5,516
Revenue from use of property	60,000	60,000	50,946	(9,054)
Total revenue from use of money and property	\$ 242,512	\$ 248,012	\$ 244,474	\$ (3,538)
Charges for services:				
Charges for law enforcement and traffic control	\$ 4,700	\$ 4,700	\$ 10,100	\$ 5,400
Charges for courthouse maintenance	16,000	16,000	16,414	414
Charges for EMS	73,360	205,360	209,635	4,275
Charges for law library	-	30,000	-	(30,000)
Charges for courthouse security	-	-	9,691	9,691
Miscellaneous dog fees	5,000	5,000	4,471	(529)
Total charges for services	\$ 99,060	\$ 261,060	\$ 250,311	\$ (10,749)
Miscellaneous revenue:				
Miscellaneous	\$ 69,684	\$ 108,190	\$ (117,292)	\$ (225,482)
Payment in lieu of taxes	44,000	44,000	-	(44,000)
Total miscellaneous revenue	\$ 113,684	\$ 152,190	\$ (117,292)	\$ (269,482)
Total revenue from local sources	\$ 28,976,857	\$ 29,182,863	\$ 27,235,229	\$ (1,947,634)

City of Hopewell, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 13,500	\$ 13,500	\$ 13,264	\$ (236)
Wine taxes	14,000	14,000	13,689	(311)
Motor vehicle carriers' tax	20,000	20,000	19,061	(939)
Mobile home titling tax	5,000	5,000	109	(4,891)
State recordation tax	25,000	25,000	27,278	2,278
Personal property tax relief funds	-	-	1,517,787	1,517,787
Total noncategorical aid	\$ 77,500	\$ 77,500	\$ 1,591,188	\$ 1,513,688
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 346,700	\$ 346,700	\$ 335,496	\$ (11,204)
Sheriff	291,838	291,838	298,703	6,865
Commissioner of revenue	98,847	98,847	98,785	(62)
Treasurer	100,147	100,147	99,458	(689)
Registrar/electoral board	34,840	34,840	48,920	14,080
Clerk of the Circuit Court	193,059	193,059	194,664	1,605
Total shared expenses	\$ 1,065,431	\$ 1,065,431	\$ 1,076,026	\$ 10,595
Other categorical aid:				
Street and highway maintenance	\$ 2,500,000	\$ 2,500,000	\$ 2,663,732	\$ 163,732
Emergency medical services - 2 for life	9,000	9,000	8,869	(131)
DMV	14,000	14,000	2,575	(11,425)
Other state aid	-	33,730	211	(33,519)
HB 599 police support	1,083,616	1,083,616	1,188,016	104,400
Arts and humanities grant	1,500	1,500	1,500	-
Disaster assistance	-	-	4,773	4,773
School resource officer	-	-	36,058	36,058
Victim-witness grant	104,130	112,165	85,624	(26,541)
VJCCA	145,999	145,999	146,996	997
Fire programs	-	43,872	43,871	(1)
DCJS grant	-	-	13,170	13,170
Total other categorical aid	\$ 3,858,245	\$ 3,943,882	\$ 4,195,395	\$ 251,513
Total categorical aid	\$ 4,923,676	\$ 5,009,313	\$ 5,271,421	\$ 262,108
Total revenue from the Commonwealth	\$ 5,001,176	\$ 5,086,813	\$ 6,862,609	\$ 1,775,796
Revenue from the federal government:				
Categorical aid:				
Local fire department block grant	\$ -	\$ 65,328	\$ 66,300	\$ 972
Police grant	-	-	14,342	14,342
Civil defense	38,000	38,000	21,479	(16,521)
Social services indirect cost allocation	50,000	50,000	88,722	38,722
School resource officer	33,730	-	31,624	31,624
Emergency management, homeland security	-	110,325	112,325	2,000
OPJ grant	-	7,500	17,818	10,318
Local law enforcement block grant	-	13,597	14,407	810
Disaster assistance	-	-	15,312	15,312
Total categorical aid	\$ 121,730	\$ 284,750	\$ 382,329	\$ 97,579
Total revenue from the federal government	\$ 121,730	\$ 284,750	\$ 382,329	\$ 97,579
Total General Fund	\$ 34,099,763	\$ 34,554,426	\$ 34,480,167	\$ (74,259)

City of Hopewell, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
Virginia Public Assistance Fund:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,218,211	\$ 1,193,270	\$ 1,106,684	\$ (86,586)
Total categorical aid	\$ 1,218,211	\$ 1,193,270	\$ 1,106,684	\$ (86,586)
Total revenue from the Commonwealth	\$ 1,218,211	\$ 1,193,270	\$ 1,106,684	\$ (86,586)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 2,519,056	\$ 2,547,557	\$ 2,499,685	\$ (47,872)
Total categorical aid	\$ 2,519,056	\$ 2,547,557	\$ 2,499,685	\$ (47,872)
Total revenue from the federal government	\$ 2,519,056	\$ 2,547,557	\$ 2,499,685	\$ (47,872)
Total Virginia Public Assistance Fund	\$ 3,737,267	\$ 3,740,827	\$ 3,606,369	\$ (134,458)
Recreation Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 20,100	\$ 20,100	\$ 8,590	\$ (11,510)
Revenue from the use of property	43,500	43,500	72,765	29,265
Total revenue from use of money and property	\$ 63,600	\$ 63,600	\$ 81,355	\$ 17,755
Charges for services:				
Other charges for services	\$ 171,788	\$ 174,388	\$ 103,291	\$ (71,097)
Total charges for services	\$ 171,788	\$ 174,388	\$ 103,291	\$ (71,097)
Miscellaneous revenue:				
Donations	\$ 13,200	\$ 16,400	\$ 19,110	\$ 2,710
Insurance refunds	-	-	78,596	78,596
Miscellaneous grants	91,403	91,403	38,207	(53,196)
Total miscellaneous revenue	\$ 104,603	\$ 107,803	\$ 135,913	\$ 28,110
Total revenue from local sources	\$ 339,991	\$ 345,791	\$ 320,559	\$ (25,232)
Revenue from the federal government:				
Categorical aid:				
DCR recreation grant	\$ -	\$ -	\$ 41,200	\$ 41,200
Total categorical aid	\$ -	\$ -	\$ 41,200	\$ 41,200
Total revenue from the federal government	\$ -	\$ -	\$ 41,200	\$ 41,200
Total Recreation Fund	\$ 339,991	\$ 345,791	\$ 361,759	\$ 15,968

City of Hopewell, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Community Development Block Grant Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 90	\$ 90
Total revenue from use of money and property	\$ -	\$ -	\$ 90	\$ 90
Revenue from the federal government:				
Categorical aid:				
Community Development Block Grant funds	\$ 255,725	\$ 255,725	\$ 369,808	\$ 114,083
Total categorical aid	\$ 255,725	\$ 255,725	\$ 369,808	\$ 114,083
Total revenue from the federal government	\$ 255,725	\$ 255,725	\$ 369,808	\$ 114,083
Total Community Development Block Grant Fund	\$ 255,725	\$ 255,725	\$ 369,898	\$ 114,173
Anti-Litter Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 118	\$ 118
Total revenue from use of money and property	\$ -	\$ -	\$ 118	\$ 118
Total revenue from local sources	\$ -	\$ -	\$ 118	\$ 118
Revenue from the Commonwealth:				
Categorical aid:				
Anti-litter grant	\$ -	\$ 2,500	\$ 4,375	\$ 1,875
Total categorical aid	\$ -	\$ 2,500	\$ 4,375	\$ 1,875
Total revenue from the Commonwealth	\$ -	\$ 2,500	\$ 4,375	\$ 1,875
Total Anti-Litter Fund	\$ -	\$ 2,500	\$ 4,493	\$ 1,993
Capital Projects Fund:				
Capital Projects Fund:				
Revenue from local sources:				
Other local taxes:				
Hotel and motel room taxes	\$ 383,984	\$ 383,984	\$ 359,545	(24,439)
Restaurant food taxes	1,008,556	1,008,556	986,819	(21,737)
Total other local taxes	\$ 1,392,540	\$ 1,392,540	\$ 1,346,364	\$ (46,176)
Revenue from use of money and property:				
Revenue from the use of money	\$ 290,000	\$ 307,070	\$ 666,447	\$ 359,377
Total revenue from use of money and property	\$ 290,000	\$ 307,070	\$ 666,447	\$ 359,377
Miscellaneous revenue:				
Other miscellaneous	\$ 142,070	\$ 125,000	\$ 124,931	\$ (69)
Total miscellaneous revenue	\$ 142,070	\$ 125,000	\$ 124,931	\$ (69)
Total revenue from local sources	\$ 1,824,610	\$ 1,824,610	\$ 2,137,742	\$ 313,132
Total Capital Projects Fund	\$ 1,824,610	\$ 1,824,610	\$ 2,137,742	\$ 313,132
Total Primary Government	\$ 40,257,356	\$ 40,723,879	\$ 40,960,428	\$ 236,549

City of Hopewell, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 25,000	\$ 25,000	\$ 15,196	\$ (9,804)
Total revenue from use of money and property	\$ 25,000	\$ 25,000	\$ 15,196	\$ (9,804)
Charges for services:				
Charges for education	\$ 281,730	\$ 231,730	\$ 177,977	\$ (53,753)
Total charges for services	\$ 281,730	\$ 231,730	\$ 177,977	\$ (53,753)
Miscellaneous revenue:				
Other miscellaneous	\$ 58,050	\$ 128,070	\$ 31,182	\$ (96,888)
Total miscellaneous revenue	\$ 58,050	\$ 128,070	\$ 31,182	\$ (96,888)
Recovered costs:				
E-rate funds	\$ -	\$ -	\$ 73,903	\$ 73,903
Total recovered costs	\$ -	\$ -	\$ 73,903	\$ 73,903
Total revenue from local sources	\$ 364,780	\$ 384,800	\$ 298,258	\$ (86,542)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from the City of Hopewell, Virginia	\$ 9,545,667	\$ 9,545,667	\$ 9,555,610	\$ 9,943
Total revenues from local governments	\$ 9,545,667	\$ 9,545,667	\$ 9,555,610	\$ 9,943
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 3,211,341	\$ 3,211,341	\$ 3,268,490	\$ 57,149
Basic school aid	11,215,655	11,215,655	11,170,372	(45,283)
ISAP	15,717	15,717	15,717	-
Remedial summer education	101,169	101,169	92,527	(8,642)
Regular foster care	6,280	6,280	23,324	17,044
Homebound education	32,303	32,303	41,796	9,493
Gifted and talented	114,223	114,223	114,013	(210)
Remedial education	547,686	547,686	546,676	(1,010)
Enrollment loss	67,729	67,729	71,539	3,810
Special education	1,470,259	1,470,259	1,467,547	(2,712)
School leadership grant	-	50,000	7,725	(42,275)
Vocational standards of quality payments	322,116	322,116	315,539	(6,577)
Social security fringe benefits	586,949	586,949	590,527	3,578
Retirement fringe benefits	492,958	492,958	508,671	15,713
State lottery payments	640,500	640,500	692,700	52,200
Early reading intervention	67,620	67,620	75,576	7,956
At risk payments	627,796	627,796	620,043	(7,753)
Primary class size	634,041	634,041	639,465	5,424
At risk four-year olds	95,100	95,100	95,100	-
Technology	258,000	258,000	-	(258,000)
Standards of Learning algebra readiness	63,328	63,328	65,317	1,989
Mentor teacher program	-	31,017	33,900	2,883
English as a second language	25,378	25,378	34,079	8,701
Other state funds	-	1,330	930	(400)
Total categorical aid	\$ 20,596,148	\$ 20,678,495	\$ 20,491,573	\$ (186,922)
Total revenue from the Commonwealth	\$ 20,596,148	\$ 20,678,495	\$ 20,491,573	\$ (186,922)

City of Hopewell, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 1,104,379	\$ 1,330,084	\$ 1,258,281	\$ (71,803)
Title VI-B, special education	765,889	1,013,724	972,247	(41,477)
Vocational education	102,578	102,578	89,328	(13,250)
21st Century learning grant	74,000	252,020	148,962	(103,058)
Title IID	30,710	29,360	30,389	1,029
Title V	39,372	50,509	15,715	(34,794)
Title II	348,478	375,579	253,667	(121,912)
Title VI	11,472	11,472	-	(11,472)
Impact aid	38,640	38,640	22,437	(16,203)
Mentor teacher	-	24,620	6,179	(18,441)
Special projects	-	85,837	12,193	(73,644)
Drug free school	63,823	63,823	46,693	(17,130)
Jr ROTC	49,500	49,500	40,622	(8,878)
Headstart	1,415,863	1,531,161	1,292,464	(238,697)
Total categorical aid	\$ 4,044,704	\$ 4,958,907	\$ 4,189,177	\$ (769,730)
Total revenue from the federal government	4,044,704	4,958,907	4,189,177	(769,730)
Total School Operating Fund	\$ 34,551,299	\$ 35,567,869	\$ 34,534,618	\$ (1,033,251)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 5,300	\$ 5,300	\$ 5,012	\$ (288)
Charges for services:				
Cafeteria sales	\$ 585,000	\$ 585,000	\$ 589,963	\$ 4,963
Total revenue from local sources	\$ 590,300	\$ 590,300	\$ 594,975	\$ 4,675
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 24,745	\$ 24,745	\$ 23,330	\$ (1,415)
Total revenue from the Commonwealth	\$ 24,745	\$ 24,745	\$ 23,330	\$ (1,415)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 873,000	\$ 905,000	\$ 1,085,803	\$ 180,803
USDA commodities	-	-	92,675	92,675
Total categorical aid	\$ 873,000	\$ 905,000	\$ 1,178,478	\$ 273,478
Total revenue from the federal government	\$ 873,000	\$ 905,000	\$ 1,178,478	\$ 273,478
Total School Cafeteria Fund	\$ 1,488,045	\$ 1,520,045	\$ 1,796,783	\$ 276,738

City of Hopewell, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board: (Continued)				
Special Revenue Funds: (Continued)				
School Textbook Fund:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 8,000	\$ 8,000	\$ 2,337	\$ (5,663)
Total revenue from use of money and property	\$ 8,000	\$ 8,000	\$ 2,337	\$ (5,663)
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 1,911	\$ 1,911
Total miscellaneous revenue	\$ -	\$ -	\$ 1,911	\$ 1,911
Total revenue from local sources	\$ 8,000	\$ 8,000	\$ 4,248	\$ (3,752)
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
Textbook funds	\$ 184,866	\$ 184,866	\$ 184,525	\$ (341)
Total categorical aid	\$ 184,866	\$ 184,866	\$ 184,525	\$ (341)
Total revenue from the Commonwealth	\$ 184,866	\$ 184,866	\$ 184,525	\$ (341)
Total School Textbook Fund	\$ 192,866	\$ 192,866	\$ 188,773	\$ (4,093)
Capital Projects Fund:				
Building and Bus Replacement Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 10,151	\$ 10,151
Total revenue from use of money and property	\$ -	\$ -	\$ 10,151	\$ 10,151
Total revenue from local sources	\$ -	\$ -	\$ 10,151	\$ 10,151
Revenue from the Commonwealth:				
Categorical aid:				
State construction funds	\$ 161,901	\$ 161,901	\$ 162,012	\$ 111
Total categorical aid	\$ 161,901	\$ 161,901	\$ 162,012	\$ 111
Total revenue from the Commonwealth	\$ 161,901	\$ 161,901	\$ 162,012	\$ 111
Total Building and Bus Replacement Fund	\$ 161,901	\$ 161,901	\$ 172,163	\$ 10,262
Total Discretely Presented Component Unit - School Board	\$ 36,394,111	\$ 37,442,681	\$ 36,692,337	\$ (750,344)

City of Hopewell, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

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<u>Fund, Function, Activity and Department</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
City council	\$ 97,217	\$ 125,244	\$ 120,978	\$ 4,266
City clerk	65,801	67,745	65,955	1,790
Total general government administration	<u>\$ 163,018</u>	<u>\$ 192,989</u>	<u>\$ 186,933</u>	<u>\$ 6,056</u>
General and financial administration:				
City manager	\$ 189,883	\$ 185,808	\$ 183,638	\$ 2,170
City attorney	174,825	180,132	169,310	10,822
Information/Research department	101,353	103,361	60,725	42,636
Commissioner of revenue	299,209	319,031	305,516	13,515
Personnel office	286,401	288,848	217,906	70,942
Treasurer	279,220	343,121	296,020	47,101
Finance	1,186,763	1,262,782	1,184,953	77,829
Total general and financial administration	<u>\$ 2,517,654</u>	<u>\$ 2,683,083</u>	<u>\$ 2,418,068</u>	<u>\$ 265,015</u>
Board of elections:				
Electoral board and officials	\$ 124,217	\$ 143,218	\$ 120,083	\$ 23,135
Total board of elections	<u>\$ 124,217</u>	<u>\$ 143,218</u>	<u>\$ 120,083</u>	<u>\$ 23,135</u>
Total general government administration	<u>\$ 2,804,889</u>	<u>\$ 3,019,290</u>	<u>\$ 2,725,084</u>	<u>\$ 294,206</u>
Judicial administration:				
Courts:				
Circuit court	\$ 41,200	\$ 44,200	\$ 29,567	\$ 14,633
General district court	15,800	15,800	13,129	2,671
Sheriff	510,783	520,535	498,256	22,279
Law library	-	30,000	-	30,000
Clerk of the circuit court	280,243	294,065	265,743	28,322
Victim and witness assistance	104,130	112,165	79,723	32,442
Court services unit	13,200	13,200	6,605	6,595
Southside Legal Aid contribution	8,610	8,610	8,610	-
Total courts	<u>\$ 973,966</u>	<u>\$ 1,038,575</u>	<u>\$ 901,633</u>	<u>\$ 136,942</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 442,343	\$ 468,011	\$ 429,846	\$ 38,165
Total commonwealth's attorney	<u>\$ 442,343</u>	<u>\$ 468,011</u>	<u>\$ 429,846</u>	<u>\$ 38,165</u>
Total judicial administration	<u>\$ 1,416,309</u>	<u>\$ 1,506,586</u>	<u>\$ 1,331,479</u>	<u>\$ 175,107</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 4,514,582	\$ 5,037,953	\$ 4,626,180	\$ 411,773
Total law enforcement and traffic control	<u>\$ 4,514,582</u>	<u>\$ 5,037,953</u>	<u>\$ 4,626,180</u>	<u>\$ 411,773</u>
Fire and rescue services:				
Fire department	\$ 2,669,193	\$ 3,123,170	\$ 2,839,894	\$ 283,276
Total fire and rescue services	<u>\$ 2,669,193</u>	<u>\$ 3,123,170</u>	<u>\$ 2,839,894</u>	<u>\$ 283,276</u>

City of Hopewell, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

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<u>Fund, Function, Activity and Department</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Correction and detention:				
Crater Youth Care Commission	\$ 375,000	\$ 375,000	\$ 218,176	\$ 156,824
Riverside Regional Jail	1,465,160	1,465,160	1,938,478	(473,318)
VJCCCA grant	189,910	189,910	171,176	18,734
Total correction and detention	<u>\$ 2,030,070</u>	<u>\$ 2,030,070</u>	<u>\$ 2,327,830</u>	<u>\$ (297,760)</u>
Inspections:				
Building	\$ 288,620	\$ 298,006	\$ 268,647	\$ 29,359
Total inspections	<u>\$ 288,620</u>	<u>\$ 298,006</u>	<u>\$ 268,647</u>	<u>\$ 29,359</u>
Other protection:				
Animal control	\$ 165,861	\$ 173,106	\$ 158,935	\$ 14,171
Emergency and safety services	116,708	109,480	85,661	23,819
Total other protection	<u>\$ 282,569</u>	<u>\$ 282,586</u>	<u>\$ 244,596</u>	<u>\$ 37,990</u>
Total public safety	<u>\$ 9,785,034</u>	<u>\$ 10,771,785</u>	<u>\$ 10,307,147</u>	<u>\$ 464,638</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering	\$ 3,445,813	\$ 3,655,690	\$ 3,311,917	\$ 343,773
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 3,445,813</u>	<u>\$ 3,655,690</u>	<u>\$ 3,311,917</u>	<u>\$ 343,773</u>
Maintenance of general buildings and grounds:				
Cemetery perpetual care	\$ 46,512	\$ 46,512	\$ 22,306	\$ 24,206
Total maintenance of general buildings and grounds	<u>\$ 46,512</u>	<u>\$ 46,512</u>	<u>\$ 22,306</u>	<u>\$ 24,206</u>
Total public works	<u>\$ 3,492,325</u>	<u>\$ 3,702,202</u>	<u>\$ 3,334,223</u>	<u>\$ 367,979</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 157,670	\$ 157,670	\$ 151,230	\$ 6,440
Total health	<u>\$ 157,670</u>	<u>\$ 157,670</u>	<u>\$ 151,230</u>	<u>\$ 6,440</u>
Mental health and mental retardation:				
Community services board	\$ 82,325	\$ 91,865	\$ 91,865	\$ -
Total mental health and mental retardation	<u>\$ 82,325</u>	<u>\$ 91,865</u>	<u>\$ 91,865</u>	<u>\$ -</u>
Welfare:				
State/local hospitalization	\$ 12,000	\$ 12,000	\$ 11,681	\$ 319
Contribution to Comprehensive Services Act Board	571,452	643,452	723,484	(80,032)
Tax relief for the elderly	170,000	170,000	170,406	(406)
Total welfare	<u>\$ 753,452</u>	<u>\$ 825,452</u>	<u>\$ 905,571</u>	<u>\$ (80,119)</u>
Total health and welfare	<u>\$ 993,447</u>	<u>\$ 1,074,987</u>	<u>\$ 1,148,666</u>	<u>\$ (73,679)</u>
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 8,670	\$ 8,670	\$ 8,670	\$ -
Contribution to City School Board	8,092,764	8,092,764	8,102,707	(9,943)
Total education	<u>\$ 8,101,434</u>	<u>\$ 8,101,434</u>	<u>\$ 8,111,377</u>	<u>\$ (9,943)</u>

City of Hopewell, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Schedule 2
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<u>Fund, Function, Activity and Department</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Parks, recreation, and cultural:				
Cultural enrichment:				
Historic Hopewell Foundation	\$ 12,250	\$ 12,250	\$ 12,250	\$ -
Historical society	2,450	2,450	2,450	-
Arts and humanities	2,600	3,000	3,000	-
Total cultural enrichment	<u>\$ 17,300</u>	<u>\$ 17,700</u>	<u>\$ 17,700</u>	<u>\$ -</u>
Library:				
Contribution to regional library	\$ 455,285	\$ 464,579	\$ 464,579	\$ -
Total library	<u>\$ 455,285</u>	<u>\$ 464,579</u>	<u>\$ 464,579</u>	<u>\$ -</u>
Total parks, recreation, and cultural	<u>\$ 472,585</u>	<u>\$ 482,279</u>	<u>\$ 482,279</u>	<u>\$ -</u>
Community development:				
Planning and community development:				
Community development	\$ 665,328	\$ 820,354	\$ 547,247	\$ 273,107
Tourism and economic development	361,539	420,282	390,741	29,541
Total planning and community development	<u>\$ 1,026,867</u>	<u>\$ 1,240,636</u>	<u>\$ 937,988</u>	<u>\$ 302,648</u>
Total community development	<u>\$ 1,026,867</u>	<u>\$ 1,240,636</u>	<u>\$ 937,988</u>	<u>\$ 302,648</u>
Nondepartmental:				
Employee welfare and other benefits	\$ 1,091,209	\$ 584,401	\$ 556,600	\$ 27,801
Property and liability insurance	208,000	208,000	207,338	662
Other	61,827	49,621	49,102	519
Contingency	184,058	174,357	(26,072)	200,429
Contributions to civic organizations	78,264	71,287	77,201	(5,914)
Total nondepartmental	<u>\$ 1,623,358</u>	<u>\$ 1,087,666</u>	<u>\$ 864,169</u>	<u>\$ 223,497</u>
Debt service:				
Principal retirement	\$ 1,385,320	\$ 1,385,320	\$ 1,385,320	\$ -
Interest and other fiscal charges	616,494	616,494	606,551	9,943
Total debt service	<u>2,001,814</u>	<u>2,001,814</u>	<u>1,991,871</u>	<u>9,943</u>
Total General Fund	<u>\$ 31,718,062</u>	<u>\$ 32,988,679</u>	<u>\$ 31,234,283</u>	<u>\$ 1,754,396</u>
Special Revenue Fund:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 2,234,054	\$ 2,123,657	\$ 2,091,707	\$ 31,950
Public assistance	543,871	514,575	444,262	70,313
Purchased services	1,439,151	1,582,404	1,534,272	48,132
Total welfare and social services	<u>4,217,076</u>	<u>4,220,636</u>	<u>4,070,241</u>	<u>150,395</u>
Total health and welfare	<u>4,217,076</u>	<u>4,220,636</u>	<u>4,070,241</u>	<u>150,395</u>
Total Virginia Public Assistance Fund	<u>\$ 4,217,076</u>	<u>\$ 4,220,636</u>	<u>\$ 4,070,241</u>	<u>\$ 150,395</u>

City of Hopewell, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Schedule 2
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<u>Fund, Function, Activity and Department</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Fund:				
Recreation Fund:				
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 597,212	\$ 573,219	\$ 553,362	\$ 19,857
Community division	76,754	88,104	74,377	13,727
Athletics division	99,406	117,253	94,189	23,064
Seniors division	131,240	176,126	157,237	18,889
Pool center	191,239	197,587	203,430	(5,843)
Parks	413,310	433,263	415,448	17,815
Harbor patrol and marina operation	39,280	288,537	186,829	101,708
Other	72,208	77,533	49,284	28,249
Total parks and recreation	<u>\$ 1,620,649</u>	<u>\$ 1,951,622</u>	<u>\$ 1,734,156</u>	<u>\$ 217,466</u>
Total Recreation Fund	<u>\$ 1,620,649</u>	<u>\$ 1,951,622</u>	<u>\$ 1,734,156</u>	<u>\$ 217,466</u>
Community Development Block Grant Fund:				
Community development:				
Planning and community development:				
Community development	<u>\$ 255,725</u>	<u>\$ 594,478</u>	<u>\$ 370,684</u>	<u>223,794</u>
Anti-Litter Fund:				
Public works:				
Sanitation and waste removal:				
Anti-litter program	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 5,158</u>	<u>\$ (2,658)</u>
Capital Projects Fund:				
Capital Projects Fund:				
Education:				
Other instructional costs:				
Contribution to City School Board	<u>\$ 1,452,903</u>	<u>\$ 1,452,903</u>	<u>\$ 1,452,903</u>	<u>\$ -</u>
Total education	<u>\$ 1,452,903</u>	<u>\$ 1,452,903</u>	<u>\$ 1,452,903</u>	<u>\$ -</u>
Capital projects expenditures:				
Parks and recreation	\$ -	\$ 365,261	\$ 9,093	\$ 356,168
Tourism	40,000	-	-	-
GIS mapping	-	159,883	14,527	145,356
Library	-	9,178,633	659,999	8,518,634
City Point waterfront	-	73,834	11,300	62,534
East Broadway Bridge	-	165,000	-	165,000
Other projects	-	481,042	6,474	474,568
Beacon Theatre	-	163,368	163,370	(2)
Information management system	100,000	254,865	104,309	150,556
Archaeological and anthropology studies	-	23,500	5,000	18,500
Historic Hopewell project	10,000	22,416	22,263	153
Downtown development plan	662,630	5,200,000	515,124	4,684,876
Voting machines	30,000	30,000	-	30,000
Total capital projects	<u>\$ 842,630</u>	<u>\$ 16,117,802</u>	<u>\$ 1,511,459</u>	<u>\$ 14,606,343</u>
Debt service:				
Principal retirement	\$ 1,003,000	\$ 1,003,000	\$ 1,003,000	\$ -
Interest and other fiscal charges	500,000	1,013,404	1,023,451	(10,047)
Bond issuance costs	-	118,262	263,989	(145,727)
Total debt service	<u>1,503,000</u>	<u>2,134,666</u>	<u>2,290,440</u>	<u>(155,774)</u>
Total County Capital Improvements Fund	<u>\$ 3,798,533</u>	<u>\$ 19,705,371</u>	<u>\$ 5,254,802</u>	<u>\$ 14,450,569</u>
Total Primary Government	<u>\$ 41,610,045</u>	<u>\$ 59,463,286</u>	<u>\$ 42,669,324</u>	<u>\$ 16,793,962</u>

City of Hopewell, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2005

Schedule 2
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<u>Fund, Function, Activity and Department</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Discretely Presented Component Unit - School Board				
Special revenue funds:				
School Operating Fund:				
Education:				
Administration of schools:				
Administration	\$ 1,038,697	\$ 1,089,942	\$ 1,061,114	\$ 28,828
Total administration of schools	\$ 1,038,697	\$ 1,089,942	\$ 1,061,114	\$ 28,828
Instruction costs:				
Compensation	\$ 25,399,982	\$ 25,500,140	\$ 24,529,880	\$ 970,260
Supplies	918,757	1,032,450	1,088,233	(55,783)
Equipment	470,533	753,190	629,094	124,096
Purchased services	1,109,651	1,440,882	1,394,681	46,201
Total instruction costs	\$ 27,898,923	\$ 28,726,662	\$ 27,641,888	\$ 1,084,774
Operating costs:				
Attendance and health services	\$ 576,748	\$ 555,948	\$ 512,445	\$ 43,503
Pupil transportation	781,852	785,552	700,671	84,881
Operation and maintenance of school plant	4,266,526	4,494,297	4,350,645	143,652
Total operating costs	\$ 5,625,126	\$ 5,835,797	\$ 5,563,761	\$ 272,036
Total education	\$ 34,562,746	\$ 35,652,401	\$ 34,266,763	\$ 1,385,638
Total School Fund	\$ 34,562,746	\$ 35,652,401	\$ 34,266,763	\$ 1,385,638
Special revenue funds:				
Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 1,703,842	\$ 1,810,045	\$ 1,674,800	\$ 135,245
Total education	\$ 1,703,842	\$ 1,810,045	\$ 1,674,800	\$ 135,245
Total Cafeteria Fund	\$ 1,703,842	\$ 1,810,045	\$ 1,674,800	\$ 135,245
School Textbook Fund:				
Education:				
Instruction	\$ 566,258	\$ 566,258	\$ 160,077	\$ 406,181
Total education	\$ 566,258	\$ 566,258	\$ 160,077	\$ 406,181
Total School Textbook Fund	\$ 566,258	\$ 566,258	\$ 160,077	\$ 406,181
Building and Bus Replacement Fund:				
Capital projects expenditures:				
Capital projects expenditures	\$ 75,000	\$ 1,403,450	\$ 705,717	\$ 697,733
Total capital projects	\$ 75,000	\$ 1,403,450	\$ 705,717	\$ 697,733
Total School Capital Projects Fund	\$ 75,000	\$ 1,403,450	\$ 705,717	\$ 697,733
Total Discretely Presented Component Unit - School Board	\$ 36,907,846	\$ 39,432,154	\$ 36,807,357	\$ 2,624,797

STATISTICAL SECTION

STATISTICAL TABLES

Table 1

City of Hopewell, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years (1)

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation, and Cultural	Community Development	Interest on Long-Term Debt	Utilities	Total
2003	\$ 3,341,970	\$ 1,463,565	\$ 9,008,687	\$ 4,192,242	\$ 4,715,320	\$ 10,899,729	\$ 1,744,625	\$ 4,845,934	\$ 1,201,432	\$ 15,685,591	\$ 57,099,095
2004	3,443,925	1,495,967	9,486,916	3,737,248	5,194,978	10,928,447	2,258,430	1,992,171	1,179,416	16,090,180	55,807,678
2005	2,945,790	1,574,921	10,565,072	3,485,748	5,342,722	11,179,266	2,257,163	2,030,064	2,141,680	16,185,800	57,708,226

(1) Government-wide information has only been available for 3 years.

Table 2

City of Hopewell, Virginia
Government-Wide Revenues
Last Ten Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2003	\$ 12,672,587	\$ 10,339,931	\$ 264,598	\$ 19,060,885	\$ 6,765,497	\$ 614,596	\$ 314,115	\$ 1,693,124	\$ 51,725,333
2004	13,557,989	10,642,024	271,737	20,709,810	6,778,505	485,289	890,576	1,656,911	54,992,841
2005	14,721,644	10,849,922	-	22,452,725	6,932,533	1,331,650	147,042	1,591,188	58,026,704

(1) Government-wide information has only been available for 3 years.

Table 3

City of Hopewell, Virginia
General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education (2)	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total
1996	\$ 2,331,866	\$ 721,388	\$ 6,446,155	\$ 2,806,938	\$ 2,804,208	\$ 24,878,367	\$ 1,177,991	\$ 438,868	\$ 140,136	\$ 2,316,951	\$ 44,062,868
1997	2,053,769	773,797	6,880,910	3,009,981	3,109,600	25,768,780	1,208,922	884,972	273,110	2,484,110	46,447,951
1998	2,117,448	1,034,721	8,627,747	3,420,136	3,596,397	24,889,228	1,529,381	595,335	146,204	2,517,115	48,473,712
1999	2,575,685	1,041,626	8,507,450	3,110,221	4,577,449	27,702,216	1,538,863	387,281	348,109	2,924,925	52,713,825
2000	2,607,634	1,058,827	9,509,028	3,353,665	5,171,669	29,617,702	1,615,164	429,776	363,184	2,636,015	56,362,664
2001	2,999,608	1,129,005	9,717,419	3,477,659	4,942,608	29,829,975	1,613,054	325,337	595,837	7,070,214	61,700,716
2002	3,113,930	1,204,103	10,701,825	3,391,620	5,684,572	31,694,640	2,038,146	875,976	778,150	2,960,430	62,443,392
2003	2,640,778	1,292,301	9,224,023	3,280,814	6,340,667	32,043,218	1,793,430	1,130,602	608,575	3,490,970	61,845,378
2004	2,666,849	1,291,736	9,406,283	3,428,681	7,127,872	32,669,738	1,972,933	1,113,053	1,275,270	3,311,717	64,264,132
2005	2,725,084	1,331,479	10,307,147	3,339,381	5,218,907	36,110,310	2,216,435	1,308,672	864,169	4,282,311	67,703,895

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Units.

(2) Excludes contributions from Primary Government to Discretely Presented Component Units.

Table 4

City of Hopewell, Virginia
General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the		Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental (2)	Total
					Use of Money and Property						
1996	\$ 17,849,747	\$ 5,699,738	\$ 146,953	\$ 110,752	\$ 1,255,082	\$ 819,198	\$ 806,972	\$ -	\$ -	\$ 22,044,543	\$ 48,732,985
1997	18,269,875	5,843,222	151,340	98,129	1,455,908	842,393	1,092,969	-	-	23,710,782	51,464,618
1998	18,650,452	5,946,090	98,289	134,630	1,649,817	873,047	850,811	-	-	24,681,823	52,884,959
1999	18,945,849	5,852,180	135,824	118,835	1,729,564	939,073	948,994	-	-	27,436,442	56,106,761
2000	18,367,864	6,138,220	112,536	97,645	2,397,470	1,088,094	2,655,664	-	-	29,358,994	60,216,487
2001	19,795,128	6,371,934	81,277	126,579	2,294,747	963,798	630,475	-	-	30,547,171	60,811,109
2002	18,684,937	6,460,305	60,406	69,658	947,908	1,013,401	1,325,032	-	-	31,741,782	60,303,429
2003	18,667,154	5,447,760	94,530	65,830	381,187	925,950	292,046	21,854	21,854	33,190,748	59,087,059
2004	20,092,804	5,396,402	82,108	61,411	247,908	1,152,679	628,586	38,647	38,647	33,815,917	61,516,462
2005	21,098,729	5,586,169	93,462	79,376	348,582	1,121,542	51,714	73,903	73,903	37,333,773	65,787,250
∞											

(1) Includes General and Special Revenue funds of the Primary Government and its Discretely Presented Component Units.

(2) Excludes contributions from Primary Government to Discretely Presented Component Units.

Table 5

City of Hopewell, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,3)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax (2)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
1996	\$ 17,855,009	\$ 17,272,036	96.73%	\$ 361,507	\$ 17,633,543	98.76%	\$ 803,454	4.50%
1997	18,342,040	17,994,375	98.10%	221,780	18,216,155	99.31%	985,328	5.37%
1998	18,597,674	18,217,820	97.96%	211,273	18,429,093	99.09%	998,835	5.37%
1999	18,948,788	18,362,964	96.91%	249,168	18,612,132	98.22%	1,086,015	5.73%
2000	19,201,115	17,914,157	93.30%	240,938	18,155,095	94.55%	1,737,940	9.05%
2001	19,768,008	18,636,237	94.27%	938,329	19,574,566	99.02%	1,221,898	6.18%
2002	17,880,908	17,096,282	95.61%	1,391,817	18,488,099	103.40%	2,424,436	13.56%
2003	19,301,997	16,317,240	84.54%	625,675	16,942,915	87.78%	4,216,478	21.84%
2004	24,705,740	20,727,116	83.90%	2,495,002	23,222,118	93.99%	5,247,249	21.24%
2005	24,705,828	18,391,177	74.44%	3,536,129	21,927,306	88.75%	4,778,529	19.34%

(1) Exclusive of penalties and interest. Taxes are assessed and reported above on a calendar year basis while collections are reported on a fiscal year basis.

(2) Does not include land redemptions.

(3) In fiscal year 2002 there was a change in authority of assessments on power plants.

Table 6

City of Hopewell, Virginia
Assessed Value of Taxable Property (in thousands)
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes	Machinery and Tools	Public Utility (2)	Total
1996	\$ 687,154,874	\$ 72,059,934	\$ 217,400,209	\$ 68,010,347	\$ 1,044,625,364
1997	737,955,100	85,510,000	217,400,209	68,010,347	1,108,875,656
1998	743,360,600	89,737,141	216,331,467	68,340,393	1,117,769,601
1999	776,843,500	87,467,357	218,109,930	69,926,531	1,152,347,318
2000	787,968,509	90,113,213	220,104,443	70,223,039	1,168,409,204
2001	827,759,300	104,606,800	214,696,435	71,544,125	1,218,606,660
2002	800,586,607	154,138,951	154,216,964	285,028,909	1,393,971,431
2003	845,832,200	124,590,160	155,115,512	285,714,285	1,411,252,157
2004	849,244,667	126,941,705	117,124,590	399,712,852	1,493,023,814
2005	926,602,083	118,025,410	176,400,688	361,479,667	1,582,507,848

(1) Real estate is assessed at 100% of appraisal value.

(2) Assessed values are established by the State Corporation Commission. Includes both real estate and personal property.

Table 7

**City of Hopewell, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years**

Last Ten Fiscal Years										
Fiscal Year	Real Estate		Personal Property (2)		Machinery and Tools	Public Utility				
						Real Estate		Personal Property		
1996	\$	1.19	\$	3.05	\$	3.03	\$	1.19	\$	3.05
1997		1.14		3.05		3.03		1.14		3.05
1998		1.14		3.05		3.03		1.14		3.05
1999		1.14		3.05		3.03		1.14		3.05
2000		1.14		3.05		3.03		1.14		3.05
2001		1.12		3.05		3.03		1.12		3.05
2002		1.12		3.05		3.03		1.12		3.05
2003		1.20		3.05		3.05		1.20		3.05
2004		1.20		3.05		3.05		1.20		3.05
2005		1.20		3.05		3.05		1.20		3.05

(1) Per \$100 of assessed value.

(2) Personal property taxes are applied to the National Automobile Dealers Association
Dealers Association (NADA) loan value.

Table 8

City of Hopewell, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1996	23,101	1,044,625	21,019,791	2.01%	910
1997	23,101	1,108,876	19,483,288	1.76%	843
1998	23,101	1,117,770	19,096,396	1.71%	827
1999	23,101	1,152,347	25,744,265	2.23%	1,114
2000	23,101	1,168,409	24,187,549	2.07%	1,047
2001	22,354	1,218,607	25,703,497	2.11%	1,150
2002	22,354	1,393,971	29,794,408	2.14%	1,333
2003	22,354	1,411,252	31,660,473	2.24%	1,416
2004	22,354	1,493,024	29,540,831	1.98%	1,322
2005	22,354	1,582,508	47,152,511	2.98%	2,109

(1) Source: United States Bureau of Census.

(2) From Table 6

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary
Excludes revenue bonds, capital leases, and compensated absences.

Table 9

City of Hopewell, Virginia
Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1996	\$ 1,295,461	\$ 1,021,490	\$ 2,316,951	\$ 44,062,868	5.26%
1997	1,471,503	1,012,607	2,484,110	46,447,951	5.35%
1998	3,583,410	1,027,288	4,610,698	48,473,712	9.51%
1999	1,618,387	1,306,538	2,924,925	52,713,825	5.55%
2000	1,671,040	964,975	2,636,015	56,362,664	4.68%
2001	6,103,795	966,419	7,070,214	61,700,716	11.46%
2002	1,871,794	905,135	2,776,929	62,443,392	4.45%
2003	2,230,299	1,233,136	3,463,435	61,845,378	5.60%
2004	2,119,642	1,192,075	3,311,717	64,264,132	5.15%
2005	2,388,320	1,893,991	4,282,311	67,679,161	6.33%

(1) General obligation bonds reported in the enterprise funds and capital leases with government commitment have been excluded.

Table 10

**City of Hopewell, Virginia
Demographic Statistics
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
1996	23,101	19,245	4,409	5.7%
1997	23,101	19,912	4,462	6.6%
1998	23,101	20,623	4,513	4.3%
1999	23,101	21,174	4,148	4.9%
2000	23,101	21,555	3,940	3.9%
2001	22,354	22,552	3,891	4.1%
2002	22,354	22,863	3,881	6.0%
2003	22,354	23,502	3,889	7.7%
2004	22,354	24,231	3,853	6.8%
2005	22,354	24,982	3,856	6.8%

(1) Per United States Bureau of Census.

(2) Per capita income - Center for Public Service, University of Virginia.

(3) Per City of Hopewell School System.

(4) Per Virginia Employment Commission.

Table 11

City of Hopewell, Virginia
Residential and Commercial Construction and Property Values
Last Ten Fiscal Years

Calendar Year	Residential Construction (1)		Commercial Construction (1)		Property Values (2)		
	Number	Value	Number	Value	Commercial	Residential	Non-Taxable
1996	37	\$ 1,796,593	14	\$ 918,250	\$ 231,853,600	\$ 455,301,300	\$ 104,646,900
1997	43	1,990,000	13	1,255,490	246,923,800	491,031,300	116,557,400
1998	43	2,168,000	4	627,000	247,020,400	496,340,200	116,835,900
1999	29	1,563,830	4	697,000	254,428,600	521,978,300	118,783,100
2000	75	3,332,371	11	6,330,750	257,774,100	529,757,800	118,525,800
2001	47	2,897,500	5	1,681,275	264,431,400	563,327,900	131,629,000
2002	78	3,657,000	1	39,979	228,655,500	571,494,500	131,628,700
2003	53	3,167,129	5	1,761,000	226,890,200	618,676,400	139,972,300
2004	51	3,055,110	7	663,000	227,343,600	620,827,200	140,319,400
2005	46	2,894,500	7	5,005,000	250,365,200	676,236,900	154,484,600

(1) Source - Commercial and Residential Construction from City of Hopewell Department of Inspections.

(2) Source - Property Values from City Land Book.

Table 12

**City of Hopewell, Virginia
Principal Taxpayers (1)
Calendar Year Ended December 31, 2004**

<u>Company</u>	<u>Industry</u>	<u>Amount</u>	<u>% of Total (2)</u>
Hopewell Cogentric Limited Partnership	Electric power producer	\$ 129,096,981	8.2%
Allied Signal Corporation	Manufacturing	102,458,294	6.5%
Appomattox Cogeneration	Electric power producer	78,085,193	4.9%
James River Cogeneration Company	Electric power producer	47,932,822	3.0%
Dominion Virginia Power	Utility	47,093,599	3.0%
Stone Container Inc.	Manufacturing	37,536,434	2.4%
Aqualon Company	Manufacturing	33,036,900	2.1%
Columbia HCA/John Randolph Hospital	Medical	24,779,600	1.6%
Virginia American Water Company	Water services	20,834,077	1.3%
Verizon Virginia Inc.	Telephone	11,969,665	0.8%
	Total	<u>\$ 532,823,565</u>	<u>33.7%</u>

(1) Rankings based on 2004 assessments.

(2) Total includes real estate, machinery and tools, industrial energy conversion, public services and tangible personal property values of \$1,582,507,848.

Table 13

City of Hopewell, Virginia
Revenue Bond Coverage
Last Eight Fiscal Years (amounts expressed in thousands)

Fiscal Year	Gross		Net	Debt Service Requirements			Coverage
	Revenue (1)	Expenses (2)		Principal	Interest	Total	
1998	9,750	\$ 8,488	\$ 1,262	\$ 150	\$ 622	\$ 772	1.63
1999	8,627	7,948	679	155	615	770	0.88
2000	8,993	8,437	556	165	609	774	0.72
2001	9,382	8,784	598	170	689	859	0.70
2002	9,175	8,396	779	180	896	1,076	0.72
2003	10,054	8,416	1,638	330	836	1,166	1.40
2004	8,693	8,103	590	345	818	1,163	0.51
2005	10,024	8,465	1,559	360	804	1,164	1.34

(1) Total revenues (including interest) exclusive of tap fees and state grants.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds only.

City of Hopewell, Virginia

Miscellaneous Statistics

Date of incorporation	1916
Form of government	Council/Manager
Area in square miles	11.3 miles
Miles of streets	265 miles
Number of street lights	1,721
Sewers:	
Sanitary sewers	116 miles
Storm sewers	59 miles
Building permits issued	1,709
Number of City full-time employees	349
Fire protection:	
Number of stations	2
Number of firemen and officers	40
Police protection:	
Number of stations	1
Number of policemen and officers	49
Education:	
Number of schools:	
Elementary	4
Middle	1
High	1
Number of school employees:	
Administrative and supervisory	16
Transportation	30
Instructional	417
School support staff	72
Food service	41
Custodial and maintenance	54
Number of students	3,818
Recreation and culture:	
Parks	22 with 129 acres
Libraries	1
Book volumes at regional system	approximately 91,000

Table 15

City of Hopewell, Virginia
Computation of Legal Debt Margin (1)
Fiscal year ended June 30, 2005

Net assessed value of real property	\$ 926,602,083
Debt limit - 10% of assessed value of real property	92,660,208
Less net bonded debt	<u>(47,152,511)</u>
Legal Debt Margin	<u><u>\$ 45,507,697</u></u>

(1) There is no overlapping debt in Cities in Virginia.

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

***Report on Internal Control Over Financial Reporting and on Compliance and other
Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards***

To The Honorable Members of the City Council
City of Hopewell
Hopewell, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hopewell, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the City of Hopewell, Virginia's basic financial statements and have issued our report thereon dated October 5, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hopewell, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hopewell, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the City of Hopewell, Virginia, in a separate letter dated October 5, 2005.

This report is intended solely for the information and use of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Fann, Cox Associates

Richmond, Virginia
October 5, 2005

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To The Honorable Members of the City Council
City of Hopewell
Hopewell, Virginia

Compliance

We have audited the compliance of the City of Hopewell, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the fiscal year ended June 30, 2005. The City of Hopewell, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Hopewell, Virginia's management. Our responsibility is to express an opinion on the City of Hopewell, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hopewell, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Hopewell, Virginia's compliance with those requirements.

In our opinion, the City of Hopewell, Virginia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2005.

Internal Control Over Compliance

The management of the City of Hopewell, Virginia is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Hopewell, Virginia's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the City Council, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Robertson Farn, LLC Associates

Richmond, Virginia

October 5, 2005

City of Hopewell, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Health and Human Services:		
Direct Payments:		
Headstart Program	93.600	\$ 1,292,464
Pass Through Payments:		
Department of Social Services:		
Family Preservation and Support	93.556	\$ 21,818
Temporary Assist to Needy Families (TANF)	93.558	405,074
Refugee and Entrant Assistance - Discretionary Grants	93.566	451
Low Income Home Energy Assistance	93.568	13,892
Payments to States for Child Care Assistance	93.575	286,334
Child Care and Development Fund	93.596	648,010
Foster Care - Title IV-E	93.658	297,824
Adoption Assistance	93.659	108,561
Social Services Block Grant	93.667	221,205
Independent Living	93.674	4,206
Medical Assistance Program (Title XIX)	93.778	267,474
Total Dept. Health & Human Services-pass through		\$ 2,274,849
Total Department Health and Human Services		\$ 3,567,313
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Food Distribution--School	10.555	\$ 92,675
Department of Education:		
National school breakfast program	10.553	297,653
National school lunch program	10.555	788,150
Department of Social Services:		
State Admin Matching Grants for Food Stamp Program	10.561	\$ 313,558
Total Department of Agriculture - pass-through payments		\$ 1,492,036

City of Hopewell, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2005

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Justice:		
Direct Payments:		
Public Safety and Community Policing Grants	16.710	17,818
Pass Through Payments:		
Department of Criminal Justice Service:		
Drug control and system improvement grant	16.579	\$ 31,624
Local law enforcement block grant	16.592	14,407
Total Department of Justice - pass-through		\$ 46,031
Total Department of Justice		\$ 63,849
Department of Homeland Security:		
Direct Payments:		
Assistance to Firefighter's Grants (B)	97.044	\$ 66,300
Pass Through Payments:		
Department of Emergency Assistance:		
State Homeland Security Program	97.004	\$ 110,325
Emergency Management Preparedness Grant	97.042	23,479
Disaster Assistance	97.036	15,312
Total Department of Homeland Security - pass-through		\$ 149,116
Total Department of Homeland Security		\$ 215,416
Department of Housing and Urban Development:		
Pass Through Payments:		
Department of Housing and Community Development:		
Community Development Block Grant	14.228	\$ 369,808
Department of Transportation:		
Direct Payments:		
National Recreational Trails	20.219	\$ 41,200
Pass Through Payments:		
Department of Motor Vehicles:		
State and community highway safety program	20.600	\$ 14,342
Total Department of Transportation		\$ 55,542
Department of the Navy:		
Direct Payments:		
JROTC	12.xxx	\$ 40,622
Total Department of Navy		\$ 40,622

City of Hopewell, Virginia
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2005

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Education:		
Direct Payments:		
School assistance in federally affected areas	84.041	\$ 22,437
Pass Through Payments:		
Department of Education:		
Adult Basic Education	84.002	
Title I: Educationally deprived children	84.010	1,258,281
Title VI-B: Handicapped state grants	84.027	937,288
Vocational Education: Basic grants to states	84.048	89,328
Title VI-B: Handicapped preschool incentive grant	84.173	34,959
Drug free schools and communities	84.186	46,693
Title II: Teacher Quality Enhancement Grant	84.336	6,179
NCLB: State Assessments and Related Activities	84.369	12,193
Title V: Improving school programs state block grant	84.298	15,715
21s Century Learning Grant	84.287	148,962
Technology Literacy Challenge Grant	84.318	30,389
Title II - Part A	84.367	253,667
Total Department of Education		\$ 2,856,091
Total Federal Assistance		\$ 8,660,677

City of Hopewell, Virginia

Notes to Schedule of Expenditures of Federal Awards For the year ended June 30, 2005

Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the City of Hopewell, Virginia. The City's reporting entity is defined in note 1 to the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in note 1 to the City's basic financial statements.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	382,329
Special Revenue Funds:		
Virginia Public Assistance Fund		2,499,685
Recreation Fund		41,200
Community Development Block Grant		369,808
Total primary government	\$	<u>3,293,022</u>

Component Unit Public Schools:

School Operating Fund	\$	4,189,177
School Cafeteria Fund		1,178,478
Total component unit public schools	\$	<u>5,367,655</u>

Total federal expenditures per basic financial statements	\$	<u>8,660,677</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>8,660,677</u></u>

City of Hopewell, Virginia
Schedule of Findings and Questioned Costs
For the year ended June 30, 2005

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unqualified

Internal control over financial reporting:

- a. Material weaknesses identified? yes X no
- b. Reportable conditions identified that are not considered
to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs

- A. Material weaknesses identified? yes X no
- B. Reportable conditions identified that are not
considered to be material weaknesses? yes X no

Type of auditors' report issued on compliance for major programs unqualified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133? yes X no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

10.553/10.555	National School Lunch Program
84.010	Title I
10.561	State Administration For Food Stamps

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

Section II—Financial Statement Findings

None

Section III—Federal Award Findings and Questioned Costs

None